



---

# UMKHANYAKUDE DISTRICT MUNICIPALITY

## ANNUAL REPORT

### 2013/2014 FY

---

*Harlingen No. 13433, Kingfisher Road, Mkhuze, 3965*

Tel: 035 573 8600

Fax: 0373 1094

Website: [www.ukdm.gov.za](http://www.ukdm.gov.za)

## TABLE OF CONTENTS

MAYOR'S FOREWORD.....	4
MUNICIPAL MANAGER'S OVERVIEW .....	6
MUNICIPAL POWERS AND FUNCTIONS .....	7
SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK .....	8
EXECUTIVE SUMMARY .....	16
CHAPTER 1: OVERVIEW OF UMKHANYAKUDE DISTRICT MUNICIPALITY .....	17
1.1 SPATIAL ANALYSIS.....	17
1.2 COMPARATIVE & COMPETITIVE ADVANTAGES OF UMKHANYAKUDE DISTRICT .....	18
1.3 BRIEF DEMOGRAPHIC PROFILE FOR UMKHANYAKUDE MUNICIPALITIES.....	19
1.4 THE ECONOMIC PROFILE .....	20
CHAPTER 2: MUNICIPAL GOVERNANCE.....	21
2.1 SECTION A: POLITICAL GOVERNANCE .....	21
2.2 SECTION B: ADMINISTRATIVE GOVERNANCE.....	21
2.3 SECTION C: CORPORATE GOVERNANCE .....	24
CHAPTER 3: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS.....	25
3.1 SECTION A: TECHNICAL SERVICES & INFRASTRUCTURE SERVICES PERFORMANCE HIGHLIGHTS.....	25
3.2 SECTION B: PLANNING AND ECONOMIC DEVELOPMENT (PED) SERVICES PERFORMANCE HIGHLIGHTS .....	32
3.2.1 UMHLOSINGA DEVELOPMENT AGENCY (UMDA).....	43
3.2.2 UMKHANYAKUDE DISTRICT DEVELOPMENT & PLANNING COMMISSION (DDPC).....	43
3.3 SECTION C: COMMUNITY SERVICES PERFORMANCE HIGHLIGHTS.....	44
3.3.1 MUNICIPAL HEALTH SERVICES.....	44
3.3.2 DISASTER MANAGEMENT.....	45
3.3.3 SPECIAL PROGRAMMES SECTION.....	58
3.4 SECTION D: CORPORATE SERVICES PERFORMANCE HIGHLIGHTS.....	61
3.5 SECTION E: FINANCIAL SERVICES PERFORMANCE HIGHLIGHTS.....	63
3.6 SECTION F: OFFICE OF THE MUNICIPAL MANAGER PERFORMANCE HIGHLIGHTS.....	65
3.7 SECTION G: SERVICE DELIVERY TARGETS AND PRIORITIES FOR 2014/2015 .....	67
3.8 SECTION H: ORGANISATIONAL PERFORMANCE REPORT FOR 2013/2014 .....	76
CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE .....	80
4.1 SECTION A: MUNICIPAL PERSONNEL OVERVIEW .....	80
4.2 SECTION B: MANAGING THE MUNICIPAL EMPLOYEE WORKFORCE .....	80
CHAPTER 5: FINANCIAL PERFORMANCE.....	84
5.1 STATEMENT OF FINANCIAL PERFORMANCE .....	84
5.2 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES .....	85
5.3 GRANT PERFORMANCE .....	86
5.4 REPAIRS AND MAINTENANCE FOR 2013/2014.....	86
5.5 LIQUIDITY RATIO.....	87
5.6 COST COVERAGE.....	87
5.7 OUTSTANDING SERVICE DEBTORS TO REVENUE.....	88

5.8 DEBT COVERAGE.....	88
5.9 GRANTS AS A PERCENTAGE OF REVENUE RECEIVED.....	89
5.10 OUTSTANDING SERVICE DEBTORS TO SERVICE REVENUE.....	89
5.11 EMPLOYEE COST AS PERCENTAGE OF REVENUE.....	90
5.12 REPAIRS AND MAINTENANCE AS PERCENTAGE OF OPERATING EXPENDITURE.....	90
5.13 CAPITAL AND OPERATIONAL EXPENDITURE.....	91
5.14 SERVICE PROVIDERS PERFORMANCE REPORT.....	92
CHAPTER 6: CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014.....	93
ANNEXURE A.....	93
CHAPTER 7: AUDITOR GENERAL’S REPORT.....	93
ANNEXURE B.....	93
7.1 AUDIT ACTION PLAN.....	93
ANNEXURE C.....	93
ANNEXURE D: ANNUAL REPORT FOR UMHLOSINGA DEVELOPMENT AGENCY.....	93

## MAYOR'S FOREWORD



***“South Africa, our country, is our land. Our land is our home. We sweep and keep clean our yard. We travel through it. We enjoy its varied climate, terrain and vegetation. It is as diverse as we are. We live and work in it, on it with care, preserving it for future generations. We discover it all the time. As it gives life to us, we honour the life in it.” (National Development Plan, vision for 2030, 2011:195)***

With all search possible I can hardly find an expression that aptly describes Umkhanyakude and its people better than the above quotation from the National Development Plan, which is the foundational service delivery document for our beautiful country South Africa. Yes this is our vision for 2030 as a country that finds expression in the Provincial Growth and Development Plan, our Integrated Development Plan and Service Delivery Plan to ensure that we are developing our country holistically as opposed to the separate development dispensation that prevailed during the apartheid era during which pseudo states were created within our country. As a developmental state, the National Development Plan is the best tool at the disposal of government to take our country to the next level. Admittedly we are not yet where we want to be but we are not where we were and en route to greater heights.

As the Political Leader of uMkhanyakude District Municipality I would like to thank my Political Party, the African National Congress, for bestowing on me the responsibility of advancing the course of improving the lives of the people of uMkhanyakude District. This is the deployment which I take very seriously and to which I, from my days as a youth, have unreservedly dedicated my life. As much as I am not as energetic as I used to be, my dedication has and shall never fade.

In the second instance let me thank all the Councillors for their unreserved commitment towards the betterment of the lives of the people of uMkhanyakude. I am sure you will all agree with me that the year under review has been one of the most challenging years. This was marked by, amongst other things, our limited resources to address the needs of our people despite their daily cries for basic services like water, sanitation, access roads and electricity. This is a further complication in addition to the three countrywide challenges of poverty, inequality and unemployment.

Despite this we do have victories on our way to reaching our goal which is a comprehensive and general welfare of our people. We all know that we are the only district that has established a Planning Commission which is charged with overseeing and coordinating our development endeavours and ensuring that our plans are at all times aligned with provincial and national development plans. We have just had a remarkable air show, the first of its kind, which put us as a district in the map and attracted a number of tourists to our district. I am glad to announce that this was not a once off event; it is now going to be an annual event. Council has accordingly set aside the sum of R 10 million for the upgrading of the airport so that at the end it contributes to an increase in our GDP through economic and tourism activities.

While we are battling to provide sustainable services to our needy people, it pains me even more to report that one of the serious challenges we are faced with relate to our incapacity to attract suitably qualified people. If I can give an example not a single qualified engineer responded to our advertisements for engineers. Instead of us having to settle for unqualified personnel for this critical service, the Executive Committee authorized the administration to approach the Institute of Engineers SA to identify and request on behalf of Council the qualified engineers to come and work for the Municipality. It is likely that we will manage to get two and we are praying that they stay with the Municipality. One engineer who had agreed to come withdrew after he had made a visit to look at the facilities we are having in our district.

This is another challenge which unfortunately cannot be treated in isolation from other problems. As much as we are focussing on providing water for our communities, equal focus has to be given to providing water for commercial and industrial usage. The resolutions of the water summit we heard in the previous financial year are currently being prioritised and aggressive efforts will be made to source the funding for the prioritized projects.

What compounds our problems even is the fact that we seem to be taking one step forward and two steps backward. This is due to the fact that some of the schemes that were built and have been dispensing of water are no longer operative with the result that the people who have been getting water are no longer getting it. The cause for this unfortunate situation is the fact that when the schemes were built they were meant to provide standpipe water for a limited number of households. Once water had been provided many people relocated and settled where water is provided and the demand increased and began to exceed the capacity of the schemes. As if that was not enough, some people began to illegally connect pipes leading water to their houses. This caused the supply of water to the households which had previously been enjoying the service to shrink almost completely.

I am grateful to those community members who managed to understand our situation. We have however identified funding to the tune of R 10 million and appointed a suitably qualified company to address this situation, especially to ensure that water supply is restored in Manguzi Town. We are also pursuing the matter of getting water provided to our communities from the Jozini Dam. We will provide a report on an on-going basis in this regard until the matter is finally addressed.

On economic development which we deem equally critical since it will not help much to provide services if people cannot afford to pay them, we are strengthening the capacity of Umhlosinga Development Agency, a municipal entity charged with economic development in the District. To this end we have appointed a new Board of Directors of the entity and are busy exploring ways and means to capacitate it to attract funding for mega economic projects.

On the side of administration I have pleasure to also report that one of our long standing problem of having vacant positions of the heads of departments has now been addressed. All the departments are now headed by qualified managers. We no longer have acting heads of departments. All of them have signed performance agreements and it is now up to us as Councillors to ensure that we play our oversight role effectively so that the targets set are achieved. We are now in process of getting the position of a municipal manager filled which I am certain this is going to happen very soon. The governance structures are all in place and fully functional. I can confidently say that we are well on track to achieve unqualified audit by the end of year 2014/2015 and obtaining a clean audit is possible in the near future.

Let us continue joining our hands for the betterment of the lives of our people and I am certain that together we can do and achieve much more.

SIYABONGA, THANK YOU. MAY GOD RICHLY BLESSES YOU.



Cllr S. J. Vilane  
**HIS WORSHIP THE MAYOR**

## MUNICIPAL MANAGER'S OVERVIEW

The financial year for 2013/2014 marked the 2<sup>ND</sup> financial year for the third term of Local Government. A lot of groundwork was covered in the previous financial year in preparation for efficient administration and sound governance going forward. The new vision was coined and adopted by the Council with a view to aligning with 2030 development imperatives as contained in the National Development Plan. Right from the onset the Vision for the District Municipality was developed with "business unusual" as the underlying concept.

The Council then identified a need to establish a District Planning Commission which was then given a task of assisting the District in achieving the Vision. As part of Vision 2030, the Council adopted six development corridors that would be used to roll out particular programmes which are aimed at injecting more life in the local economy and bringing about reliable and sustainable infrastructure throughout the District.

Plans that are aimed at improving the administrative capacity of the District were put in place as the Municipality is preparing for drastic improvements in certain areas as identified by the Auditor General. Towards the end of the financial year the Council ensured that all critical posts including that of the Municipal Manager are filled in by competent incumbents. The audit opinion for the next coming financial year will be improved and hopefully before the end of the third term of Local Government, the Municipality would have achieved an unqualified report but obtaining the clean audit will still be possible.

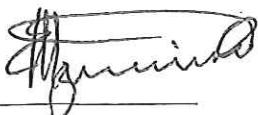
Ensuring community participation at large in municipal affairs is a commitment that still needs to be improved in a number of ways. There were various platforms that the Municipality used in engaging with communities on matters such as the Budget, IDP and other governance related ones. Radio slots, print and community meetings assisted the Municipality in conveying various messages and also getting inputs from communities. In the next coming financial year, the unit responsible for communications will be revived in order to improve the manner in which the Municipality communicates with its stakeholders.

The quest for improved basic service delivery is still very high on the agenda for the District Municipality. During the 2013/2014 financial year, more than R250m was spent on addressing backlogs. The implementation of bulk water supply is in progress which includes Hlabisa-Mandlakazi Water Reticulation, Jozini to Ngwavuma Bulk Water Scheme, Jozini to Mbazwana Bulk Water Scheme and Shemula Community Bulk Water Scheme. The Jozini water source is capable of producing 40 megalitres of water per day.

During the 2nd quarter of the year, October 2013 to be exact, the District Municipality in partnership with KZN Cogta hosted a successful two-days District-Wide Growth and Development Summit where all strategic partners of the District were provided with an opportunity to help define the future growth and development trajectory. The major highlight for 2013/2014 is the fact uMkhanyakude District was able to compile a long-term growth and development Plan (DGDP) under the stewardship and management of the District Development & planning Commission. This ambitious but achievable long term plan is expected to be adopted by Council during the 1st quarter of the next financial year and thereafter commences with its implementation.

Although, there are still certain areas of my administration which still require further strengthening, however I am confident that team I have assembled in terms of both management and entire workforce, indeed uMkhanyakude will continue to make meaningful contributions to the lives of the people of this district.

It is therefore with great pleasure for me as the accounting officer to present this 2<sup>nd</sup> Annual Report in the third term of Local Government.



MR E. M. MZIMELA  
MUNICIPAL MANAGER

16.01.2015  
DATE

## **MUNICIPAL POWERS AND FUNCTIONS**

Municipal Powers and Functions reflect activities that municipalities are obliged to perform. Partly it all depends on the category of the municipality. In terms of the Municipal Structures Act Umkhanyakude District Municipality falls under Category C.

The powers and functions of the UMkhanyakude District Municipality, tabled in terms of sections 83 and 84 of the Municipal Structures Act, are as follows:

- 1) Integrated Development Planning for the District Municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the District Municipality, taking into account the integrated developments plans on those local municipalities,
- 2) Bulk supply of water that affects a significant proportion of municipalities in the district
- 3) Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- 4) Municipal Health Services serving the area of the District Municipality as a whole
- 5) Fire Fighting services serving the area of the District Municipality as a whole

The following functions are shared by both the district and its family of municipalities:

- 1) Promotion of local Tourism;
- 2) Fire-fighting services;
- 3) Municipal airports;
- 4) Municipal planning;
- 5) Municipal public transport;
- 6) Cemeteries, funeral parlours and crematoria;
- 7) Refuse removals, refuse dumps and solid waste removals;
- 8) The establishment conducts and control of fresh produce markets and abattoirs; and
- 9) Municipal roads which form integral part of a road transport system for the area of the District Municipality as a whole.

# SUMMARY OF ANNUAL REPORT LEGISLATIVE FRAMEWORK

## INTRODUCTION

In terms of section 121(1) of the MFMA, every municipality and every municipality must for each financial year prepare an annual report. In terms of section 127(2) of the MFMA, the Mayor of the Municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the Municipality's sole or shared control.

## MFMA Requirements

### **The Annual Financial Statement of the Municipality {section 121(3)(a)}**

The Annual Financial Statement of the Municipality including the consolidations have been prepared and submitted to Auditor-General for audit. Such audited Consolidated Annual Financial Statement have been included in the Annual Report for tabling to the Council. *See Chapter 6*

### **The Auditor-General's Report {section 121(3)(b)}**

Auditor-General has audited and issued a report on the Consolidated and Separated Financial Statements, report on other legal and Regulatory requirements and other Reports. The report of Auditor-General is included in the Annual Report for tabling to the Council. *See Chapter 7*

### **The Annual Performance Report {section 121(3)(c') and section 121(3) (d)}**

The Annual Performance report was Prepared and submitted to Auditor-General for audit. Such audited Annual performance report is included in the Annual report for tabling to the Council. The Annual performance report was audited by Auditor-General in terms of section 45(b) of the Municipal Systems Act (MSA). *See Section H, p 76*

### **An assessment of the arrears on Municipal charges {section 121 (e')}**

The analysis and the assessment of the arrears on municipal charges has been made in the Annual Financial Statement under Trade and Other Receivables in Note 3 from page 26 to page 32 of Audited Annual Financial Statement. Such audited Annual Financial Statements have been included in the Annual in the Annual Report for tabling to the Council. *See Chapter 6*

### **Revenue Performance against the budget {section 121(3) (f)}**

The revenue performance has been made in form of Statement of Comparison between the budget and the actual amounts from page 11 to page 15 of the Annual Financial Statement (AFS). However it must be mentioned that the actual revenue collection has been very low due to the reason but not limited to the following:

- High number of indigents within the entire district;
- High number of unemployed within the district;
- Continuous none availability of water supply to the community within the district;
- Huge number of unmetered properties and illegal connection; etc.



121 (3) (f) An assessment by the municipality’s accounting officer of the municipality’s performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality’s approved budget for the relevant financial year.

Description	2012/13	Current Year 2013/14		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>R thousands</b>				
<b>Financial Performance</b>				
Service charges	41 940	42 434	42 434	43 680
Investment revenue	12 525	12 870	10 000	6 843
Transfers recognised - operational and capital	450 554	460 035	531 606	515 350
Other own revenue	2 322	36 435	46 145	6 541
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>507 341</b>	<b>551 773</b>	<b>630 185</b>	<b>572 414</b>

**Other Action Plan {section 121(3)(g)}**

The Audit action plan has been prepared to correct issues raised by Auditor-General. Such Audit Action Plan has been included in the Annual Report for tabling to Council.

**Other issues of importance in connection with the AFS {section 121 (3)(h)}**

**(a) Liquidity**

The liquidity of the municipality has been affected negative in the sense that current Liabilities have exceeded the current assets of the municipality. The reason being that the huge amounts of receivables / debtors have being written off and some doubtful which resulted in a huge reduction of current assets. However such incidence was disclosed in the Annual Financial Statement under Going Concern in note 49 of the AFS. The municipality is not financial self-sustainable as it entirely depended on grants.

**(b) Property, plant and equipment**

The property, plant and equipment has huge amount of Work-in progress (WIP) which means that the capital projects are not getting complete. Such delay on completion of capital projects has negative impact on actual service delivery on the ground.

Section 121 (3) (i) Any information as determined by municipality

***The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the UMkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.***

Section 121 (3) (j) Any recommendations of the municipality’s audit committee

***Still pending***

Section 121 (3) (k) Any other information as may be prescribed

***The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.***

**Disclosures:-**

**Allocations from organ of state (section 123(1)(a))**

The allocations from organ of state have been analyzed and disclosed on the audited Annual Financial Statements (AFS) in note 17 from page 45 to page 50. Such AFS have been included in the Annual Report for tabling to Council.

<b>Government Grants</b>		
<b>Funded by</b>	<b>Grant Description</b>	<b>Amount</b>
National Treasury	Municipal Infrastructure Grant	215 297 000.00
National Treasury	Equitable Share	193 756 000.00
National Treasury	MSIG	890 000.00
National Treasury	FMG	1 250 000.00
National Treasury	Municipal Water Infrastructure Grant	27 074 001.00
Department of Public Works	EPWP	1 000 000.00
Department of Transport	Rural Transport Infrastructure and System Grant	2 101 000.00

Section 123 (1) (a) (ii) Allocations received from a municipal entity or another municipality  
The municipality has established a Development Agency called uMhlosinga Development Agency (UMDA). It is wholly owned by uMkhanyakude District Municipality. The Annual allocations are made to uMhlosinga Development Agency.

Section 123 (1) (b) (i) Allocations made to a municipal entity or another municipality  
***The allocation made by the municipality to municipal entity ( uMhlosinga Development)  
R 8 330 842.00***

Section 123 (1) (b) (ii) Allocations made to any other organ of state  
**None**

Section 123 (1) (c) Details of how the allocations that were received were spent per vote excluding equitable share

<b>Government Grants Expenditure</b>			
<b>Funded by</b>	<b>Grant Description</b>	<b>Amount</b>	<b>Expenditure</b>
National Treasury	MSIG	890 000.00	890 000.00
National Treasury	FMG	1 250 000.00	1 250 000.00
National Treasury	Municipal Water Infrastructure Grant	27 074 001.00	25 511 056.00
Department of Public Works	EPWP	1 000 000.00	-
Department of Transport	Rural Transport Infrastructure and System Grant	2 101 000.00	2 100 709.00

Section 123 (1) (d) (i) The municipality has complied with allocation made to it by National Government  
**Yes**

Section 123 (1) (d) (ii) The municipality has complied with allocations made to it other than by National organs of state  
**Yes**

Section 123 (1) (e) Reasons for non-compliance with grant conditions referred to above  
**None**

Section 123 (1) (f) Delays or withholding of funds ..... DoRA  
**None**

Section 123 (1) (a) Reasons for delay or withholding of funds ... DoRA  
**None**

Section 124 (1) (a) Salaries, allowances and benefits of political office-bearers and councillors of the municipality (financial and in-kind)

<b>EMPLOYEE RELATED COSTS FOR THE MUNICIPALITY</b>	
<b>EMPLOYEE RELATED COSTS</b>	<b>Amount</b>
Employee related costs- Salaries and Wages	81 426 389.00
Contributions for UIF, pensions and medical aids	14 475 466.00
Travel, motor car, accommodation, subsistence and other allowances	6 817 552.00
Housing benefits and allowances	1 159 981.00
Overtime payments	3 084 406.00
Other employee related costs	2 950 845.00
<b>Employee Related Costs</b>	<b>109 914 639.00</b>

<b>REMUNERATION OF COUNCILLORS</b>	
<b>REMUNERATION OF COUNCILLORS</b>	<b>Amount</b>
Mayor	512 400.00
Deputy Mayor	681 955.00
Speaker	717 283.00
Executive Committee Members	1 149 637.00
Councillors	1 774 939.00
Allowances	2 117 256.00
<b>Total</b>	<b>6 953 470.00</b>

***In-kind benefits***

***The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.***

***All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.***

***The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.***

***The Mayor has 2 full-time bodyguards and 1 relief bodyguard***

Section 124 (1) (b) Statement by the accounting officer that salaries, allowances and benefits are in accordance with the framework in s 219 of the Constitution

***I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.***

Section 124 (1) (c) Arrears owed by individual councillors to the municipality or its municipal entity for rates and services which were at any time during the year outstanding for more than 90 days. This should include the names of the councillors

<b>Councillors' arrear consumer accounts</b>			
	<b>Outstanding as at 30 June 2014</b>		
<b>Councillors' name</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Total</b>
Councillor Gumbi DL	-	10 514.00	10 514.00
Councillor Nyawo Z	-	17.00	17.00
Councillor Zungu MC	-	22 526.00	22 526.00
Councillor Moodley GP	9 908.00	239 100.00	249 008.00
Councillor Vilane SJ	5 298.00	114 473.00	119 771.00
	<b>15 206.00</b>	<b>386 630.00</b>	<b>401 836.00</b>

Section 124 (1) (c) Salaries, allowances and benefits of the municipal manager, CFO and every senior manager

<b>REMUNERATION OF MUNICIPAL MANAGER</b>	
<b>Municipal Manager</b>	<b>Amount</b>
Annual Remuneration	455 885.00
Contributions for UIF, pensions and medical aids	6 721.00
Travel, motor car, accommodation, subsistence and other allowances	152 068.00
Backpay	11 517.00
Lump sum	820 000.00
<b>Total</b>	<b>1 446 191.00</b>

*Mr PS Gwacela (former Acting Municipal Manager) received a lumpsum payout of R820 000.00. Mr S.N Dubazana earned R341 862.73 from July 2013 to October 2013. Mr M.S Dlamini was acting Municipal Manager for the period 01 October 2013 to 31 March 2014. Mr E.M Mzimela was appointed on 01 April 2014 and earned R284 328.38 and is the Municipal Manager*

<b>REMUNERATION OF CHIEF FINANCIAL OFFICER</b>	
<b>Chief Finance Officer</b>	<b>Amount</b>
Annual Remuneration	449 832.00
Travel, motor car, accommodation, subsistence and other allowances	556 935.00
Contributions to UIF, Medical and Pension Fund	41 414.00
<b>Total</b>	<b>1 048 181.00</b>

<b>Remuneration of the Senior Management</b>	<b>Corporate</b>	<b>Community</b>	<b>PED</b>	<b>Technical</b>
Annual Remuneration	587 578.00	662 285.00	744 630.00	838 723.00
Travel, motor car, accommodation, subsistence and other allowances	343 688.00	266 252.00	213 157.00	146 786.00
Contributions to UIF, Medical and Pension Fund	10 087.00	10 128.00	10 532.00	10 684.00
back pay	20 000.00	-	-	76 053.00
<b>Total</b>	<b>961 353.00</b>	<b>938 665.00</b>	<b>968 319.00</b>	<b>1 072 246.00</b>

Section 125 (1) (a) List of all municipal entities under the shared or sole control of the municipality  
**UMhlosinga Development Agency**

Section 125 (1) (b) Total amount of contributions to organised local government for the year and any outstanding amounts at year end [if the amount is "nil" indicate so]  
**Nil**

## Section 125 (1) (c) Taxes

*Nil*

<b>Audit Fees</b>	<b>Amount</b>
<b>External and Internal Audit Fees</b>	
Opening balance- external audit fees	129 280.00
Current year -external audit fees	3 449 004.00
Amount paid -current year external audit fees	-3 449 004.00
Amount paid- previous year	-129 280.00
<b>Balance unpaid (included in payables)</b>	-
Opening balance- internal audit fees	
current year- internal audit fees	533 905.00
Amount paid- current year internal audit fees	-533 905.00
<b>Balance unpaid (included in payables)</b>	-
<b>Pension</b>	
Opening balance	823 846.00
Current year	10 989 359.00
Amount paid	-10 447 153.00
<b>Balance unpaid (included in payables)</b>	<b>1 366 052.00</b>
<b>Medical Aid</b>	
Opening balance	356 102.00
Current year	3 043 384.00
Amount paid	-2 960 437.00
<b>Balance unpaid (included in payables)</b>	<b>439 049.00</b>

## Section 125 (2) (a) Name of bank where account is held

<b>Name of the bank</b>	<b>Account type</b>	<b>Opening balance</b>	<b>Closing balance</b>
ABSA	Cheque account	154 281.00	6 845 143.00
FNB	Cheque account	10 432 174.00	2 747 271.00
FNB	Cheque account	520 440.00	539 141.00
FNB	Call account	82 207.00	884 366.00
ITHALA BANK	Saving account	411 844.00	480 047.00
ABSA	Call account	346 989.00	380 805.00
FNB	Call account	2 879 352.00	240 848.00
FNB	Money market	27 816.00	27 270.00
NEDBANK (Umhlosinga)	Cheque account	655 620.00	124 532.00
ABSA (Umhlosinga)	Cheque account	21 683.00	-
<b>Total</b>		<b>15 532 406.00</b>	<b>12 269 423.00</b>

Section 125 (2) (b) The Details of the bank account are disclosed in the Annual Financial Statements (AFS) in note 6 from page 33 to page 34 as Cash and Cash Equivalents. Such AFS are included in the Annual Report for tabling to Council. There were no Investments defined as non-current assets.

<b>Investments</b>			
<b>Name of the bank</b>	<b>Account type</b>	<b>Opening balance</b>	<b>Closing balance</b>
NEDBANK	Investment account	1 155 446.00	3 589 496.00
NEDBANK	Fixed Deposit account		96 627 046.00

## Section 125 (2) (c) Particulars of contingent liabilities at year end

**Contingent Liability as a result of Wage Curve Agreement:**

The job evaluation was not conducted by the Municipality as per Wage Curve Agreement and employees were not paid according to their skills hence there is a possibility that the Municipality might be owing its employees.

<b>Contigent Liabilities (Matters)</b>	<b>Source of Funding</b>	<b>Legal Fees</b>	<b>Amount</b>
Umkhanyukude District Municipality has an outstanding claim of around R1,624,253 which the defendant (Amanzi Earthmoving (Pty) (Ltd) may persue at anytime	Amanzi Earthmoving (Pty) (Ltd)	100 000.00	1 624 253.00
Umkhanykude District Municipality is in a matter over the eviction of Mr Spatt from the Mkuze Airport and estimated cost is between R 300 000 to R 500 000	DC27	75 000.00	200 000.00
Legal fees due to the lawyers (Shepstone and Wylie)	DC27	46 608.00	-
Umkhanykude District Municipality in its capacity as garnishee was ordered by The courts to pay the amount of R246 462.52 (principal debt) plus R 6 390.52 to be paid on behalf of Circle Reinforcing (Pty) Ltd/Amanzi Earthmoving (Pty) Ltd. Outstanding legal fees amounted to R16 868.98.	DC27	6 391.00	246 463.00
Legal fees amounting to R1 360.89 are due to the lawyers (Shepstone and Wylie).	DC27	-	1 361.00
Scheepers Spies Mdaka Attorneys vs Ms. Z.P Nqwenya			20 000.00
Hlela Attorneys - 30 000			30 000.00
<b>Total</b>		<b>227 999.00</b>	<b>2 122 077.00</b>

Section 125 (2) (d) (i) The unauthorized and irregular Expenditure has been disclosed in the AFS per note 34, 35 and 36 from page 58 to page 59. Such AFS are included in the Annual Report for tabling to Council.

<b>Unauthorised Expenditure</b>	
	<b>Amount</b>
Opening balance	18 797 268.00
Current year	34 798 066.00
	<b>53 595 334.00</b>
<b>Fruitless and wasteful expenditure</b>	
	<b>Amount</b>
Opening balance	2 107 641.00
Current year	653 670.00
	<b>2 761 311.00</b>
<b>Irregular expenditure</b>	
	<b>Amount</b>
Opening balance	615 463 008.00
Current year	559 333 968.00
	<b>1 174 796 976.00</b>

Section 125 (2) (d) (ii) The Forensic Investigation is underway with the assistance of Provincial Treasury (PT) to deal with issues.

Section 125 (2) (d) The debts have been written off and disclosed as such in the AFS per note 3 and 26 the AFS. Such AFS are included in the Annual Report for tabling to Council.

Section 125 (2) (e) There was non-compliance with MFMA which was disclosed in the note to the AFS per page 61.

### **Municipal Systems Act Requirements**

MSA s45 – Audited performance measures

***See Annual Performance Report on page 76***

MSA s46 (1) (a) - (i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

***See page 91***

MSA s46 (1) (a) – (ii) Current year's performance and targets as well as the prior year

***See page 76 Annual Performance Report***

MSA s46 (1) (a) – (iii) Performance report measures that were taken or are to be taken to improve performance

***See relevant column of Annual Performance Report on page 76***

MSA s46 (1) (a) - Service delivery priorities and performance targets set for the next financial year

***See page 67***

## EXECUTIVE SUMMARY

The process of compiling an annual report commenced in July 2013 when the District Municipality submitted Annual Financial Statements to Auditor General which was in terms of S 126(1) (a) of the MFMA. The preparation of the 2013/2014 annual report is informed by:

**Chapter 1:** This section gives an overview of uMkhanyakude District Municipality in terms of its spatial location, competitive advantages, and demographics.

**Chapter 2:** This chapter reflects on Municipal Governance.

**Chapter 3:** This chapter reflects on Service Delivery Performance in line with the IDP

**Chapter 4:** This chapter reflects on Organisational Development Performance.

**Chapter 5:** This chapter covers Financial Performance (AFS and liquidity ratios).

**Chapter 6:** This chapter presents Audited Consolidated Annual Financial Statements (Attached as Annexure A).

**Chapter 7:** This chapter presents Auditor General's Report (Attached as Annexure B).

### **Other Annexures:**

- Annexure C: reflects on the Audit Action Plan
- Annexure D: reflects on the Annual Report for uMhlosinga Development Agency

This Annual Report is a reflection of Umkhanyakude District Municipality's performance in terms of:

- Municipal Transformation and Institutional Development
- Service Delivery and Infrastructure Investment
- Local Economic Development
- Good Governance and Public Participation
- Municipal Financial Viability and Management
- Spatial Planning and Environmental Management

Most parts of this Annual Report quantified performance in all Key Performance Areas of the Municipality. This is further supported by Annual Financial Statements which have been audited and the findings of the audit are also contained in the report.



# CHAPTER 1: OVERVIEW OF UMKHANYAKUDE DISTRICT MUNICIPALITY

## 1.1 SPATIAL ANALYSIS

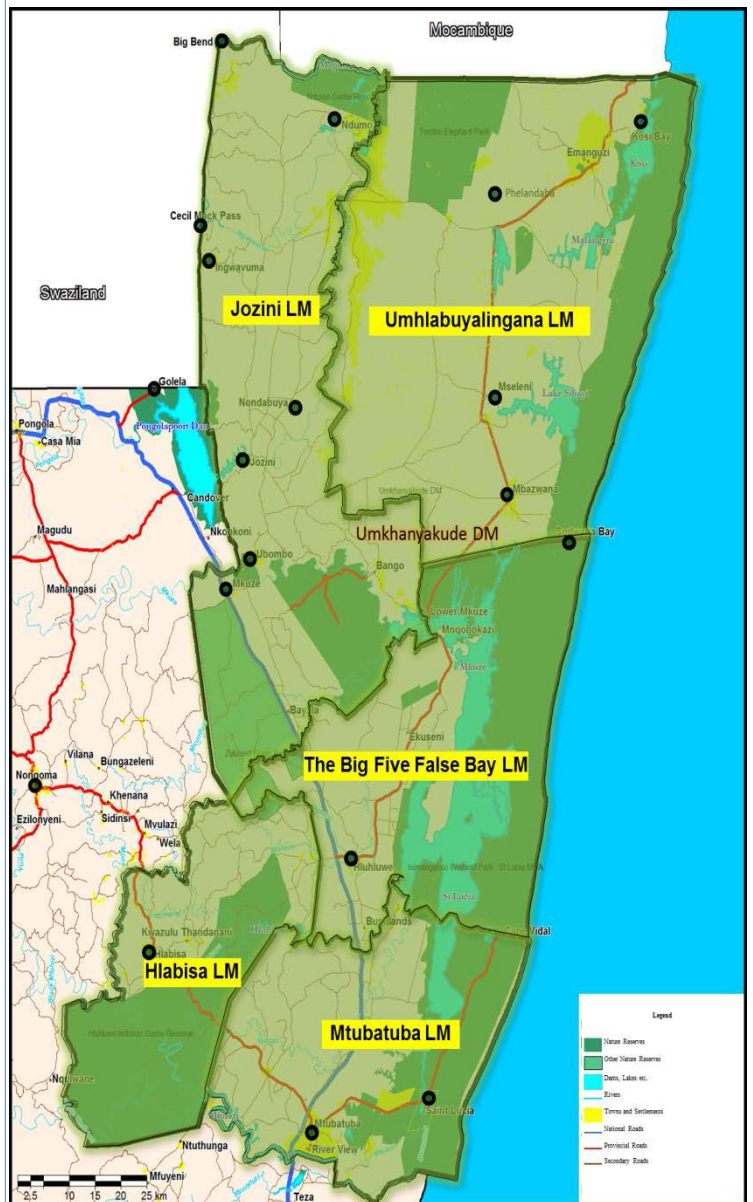
uMkhanyakude District Municipality is spatially located in the far Northern region of KwaZulu-Natal Province in South Africa (**Latitude 27°37'21.63"S, Longitude 32°01'47.14"E**). At 12 818 km<sup>2</sup> and with a population totaling 625,846, the District is the 2nd largest District in KwaZulu-Natal, in terms of size, behind its neighboring District, Zululand District Municipality. uMkhanyakude District also has the World Heritage Site known as Isimangaliso Wetland Park which encompasses the entire coastline of more than 200 km. The Map below indicates the boundaries of the 5 local municipalities within the uMkhanyakude District and surrounding neighbor hoods. The District Municipality consists of the following municipalities:

### Local Municipalities within the District

- Umhlabuyalingana Municipality (KZ 271)  
Location: **26°59'52.22"S ; 32°44'7.13"E**
- Jozini Municipality (KZ 272)  
Location: **27°25'58.42"S ; 32° 3'55.09"E**
- The Big 5 False Bay Municipality (KZ 273)  
Location: **28° 01'70.91"S ; 32°16'23.12"E**
- Hlabisa Municipality (KZ 274)  
Location: **28° 08'38.46"S ; 31°52'30.75"E**
- Mtubatuba Municipality (KZ 275)  
Location: **28°24'50.24"S ; 32°11'23.65"E**

The District Municipality is located in Mkhuze  
UMkhanyakude is surrounded by:

- The Republic of Mozambique to the North
- The Indian Ocean to the East
- uThungulu to the South (DC28)
- Zululand to the West (DC26)
- the Kingdom of Swaziland to the North-West



## 1.2 COMPARATIVE & COMPETITIVE ADVANTAGES OF UMKHANYAKUDE DISTRICT

In undertaking the various performance tasks and activities reported elsewhere in this annual performance report, it is also important to highlight and reflect on some of the strategic competitive and comparative advantages of uMkhanyakude District Municipality that served as overarching guidelines and principles in undertaking all the stated tasks. These among others are the following:

- *uMkhanyakude District is strategically located as a border district between Swaziland and Mozambique*
- *We enjoyed a status of being a Presidential Node*
- *We are home to Jozini Dam (Third largest Dam in South Africa)*
- *Home to the World Heritage Site: iSimangaliso WPA [UNESCO Approved]*
- *More than 100 kilometres of a pristine coastline [natural heritage covering St. Lucia, Black Rock, Sodwana Bay to Kosi Bay]*
- *We are blessed with Good Climate*
- *We have Massive Agricultural advantages*
- *international and national corridors n2, r22 and r66 national roads*
- *We are home to incredible and biggest biodiversity in South Africa (i.e. Ndumo Elephant Park – including oldest elephant with largest tusk in the world & Hluhluwe Game Reserve, the 3<sup>rd</sup> largest game reserve globally)*
- *We have massive cultural heritage*
- *We were the gateway and home to the freedom Fighters (via Ingwavuma and neighbouring areas)*
- *We are resident to a total of 18 Traditional Authorities, a key Strategic Development Partner*
- *We have massive tourism potential (eco-tourism in particular)*
- *We have potential of mineral resources*
- *We are resident to one of His Majesty the King's Kraal (eMachobeni kraal of iSilo samaBandla - Ingwavuma)*
- *We are in close proximity to Richards Bay and Sasol 2 in Secunda, with N2 meandering through our district;*
- *We have the third clear deep sea diving spot in Sodwana;*
- *The existence of the Lebombo Transfrontier Conservation Areas (TFCA) is also a huge advantage for our district.*

### 1.3 BRIEF DEMOGRAPHIC PROFILE FOR UMKHANYAKUDE MUNICIPALITIES

#### The Population

**Table 1: Population Figures - STATSSA 2011 Census**

Municipality	Population (2011 Census)	Household Size	No of Wards	Traditional Council
Umhlabuyalingana	156,736	33857	17	4
Jozini	186,502	38849	20	7
The Big 5 False Bay	35,258	7998	4	3
Hlabisa	71,925	12586	8	3
Mtubatuba	175,425	34905	19	1
<b>Total</b>	<b>625,846</b>	<b>128195</b>	<b>68</b>	<b>18</b>

#### STATSSA, Census 2011

- From 2001 to 2011 the population of uMkhanyakude District increased by 0.9% to 625,846.
- After boundary changes in 2011, Hlabisa Municipality was scaled down from 19 wards to 8 wards and Mtubatuba inherited those wards which resulted in an increase from 5 to 19 wards.
- A significant portion of the land in uMkhanyakude is under Ingonyama Trust Board and it is estimated that it is about 50 % of 12 819 km<sup>2</sup> belongs to traditional authorities.
- Individuals per household are estimated to be about 5

#### uMkhanyakude Sex Ratio

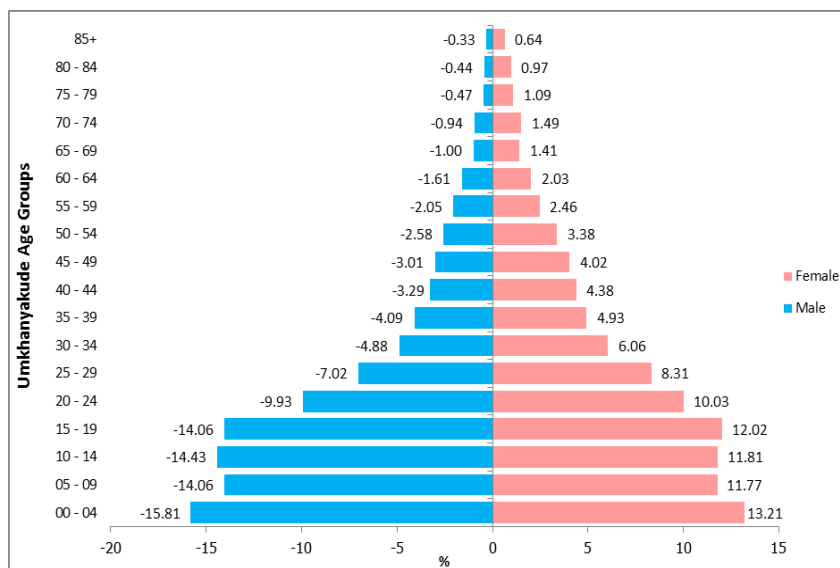
**Table 2: Sex Ratio - STATSSA 2011 Census**

Municipality	Male			Female		
	1996	2001	2011	1996	2001	2011
KZ 271: Umhlabuyalingana	57 426	63 134	71 769	71 191	79 431	84 967
KZ 272: Jozini	70 233	83 339	86 116	81 514	100 867	100 386
KZ 273: The Big 5 False Bay	13 714	15 050	16 505	15 143	16 432	18 753
KZ 274: Hlabisa	29 953	31 034	32 942	36 025	38 235	38 983
KZ 275: Mtubatuba	58 482	66 832	81 314	70 077	78 987	94 111
<b>DC27: Umkhanyakude</b>	<b>229 807</b>	<b>259 389</b>	<b>288 646</b>	<b>273 950</b>	<b>313 952</b>	<b>337 200</b>

#### STATSSA, Census 2011

- Females are more in number than males
- Males represent 46% of the population
- Females represent 54% of the population

**Figure 1: Age groups in 5 years**



- About 76% of the population is in the age groups of 30-34 and below;
- After the age group of 15-19, females are more than males in population size which could be ascribed to increased male mortality rate and or migration to places with better employment opportunities or other human development factors;
- 35.2% of the unemployed population is younger than 25 years of age with a further 34.9% between 25 and 34 years

#### 1.4 THE ECONOMIC PROFILE

- Unemployment rate is estimated to be around 43% which is an improvement from 63% in 2001
- High proportion of the economically active population classified as discouraged work seekers (27.7%), a figure more than double the provincial average of 13.8% and generally makes unemployment rate to be quite high
- The majority of the employed population in the district is active in the formal sector (71.8%), with a further 18.8% involved in the informal sector
- Two dominant local economies within the district are the Mtubatuba and Jozini LMs accounting for approximately R1.9 and R1.7 billion of GVA in 2011 respectively
- Dominant economic sectors in UKDM as measured by GVA is the retail, catering and accommodation sector accounting for R1.45 billion in 2011, the manufacturing sector (R1.37 billion), and the general government services sector (R1.34 billion)
- Agricultural sector has significant growth of approximately 5.5% per annum over the period 1995 to 2011.
- General government sector and the community, social and personal services sector are the main sources of formal sector employment in the district (13,909 and 11,342 respectively)

## **CHAPTER 2: MUNICIPAL GOVERNANCE**

The institutional structure of the municipality is divided into two levels, the Political and Administrative structures. The Administrative structure is accountable to the Political structure. The administration of the Municipality is structured according to the powers and functions allocated to municipalities as per Chapter 3 of the Municipal Systems Act and Regulations 32 of 2000. The Municipality is guided by the policies and procedures which are developed from National and Provincial guidelines and adopted by Council.

### **2.1 SECTION A: POLITICAL GOVERNANCE**

The Council comprises 29 seats allocated according to proportional representation as per Schedule 2 (7) of the Municipal Structures Act and Regulations 117 of 1998 and representative of all Local Municipalities. The Council is made up of the following political parties: Inkatha Freedom Party (10 Councilors), African National Congress (14 Councilors) and National Freedom Party (05 Councilors).

*(Insert Political organogram)*

The principal structure of the municipality is Council which is chaired by the Speaker of Council, Councillor, H. Mavimbela. The Executive Committee (EXCO) which is chaired by the Mayor of Council, Cllr. SJ Vilane is the delegated political structure that deals with the day to day running of the Municipality and further reports its affairs to Council for noting and consideration depending on the matter in in question.

To ensure effectiveness; council is further divided into various committees which are established in terms of Sections 79 and 80 of the Local Government: Municipal Structures Act (Act no 117 of 1998). These committees include:

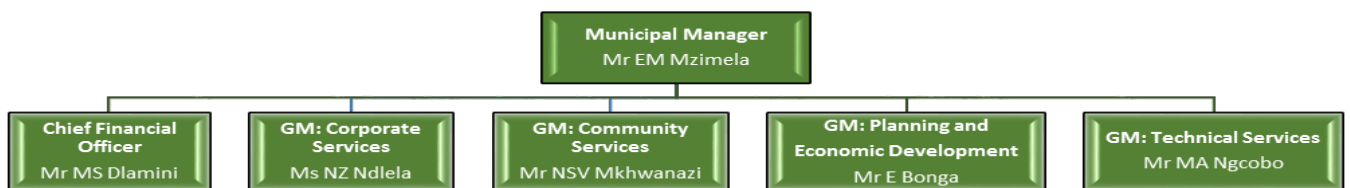
- Executive Committee – Chaired by His Worship Mayor Councillor SJ Vilane
- Finance Committee – Chaired by His Worship Mayor Councillor SJ Vilane
- Corporate Governance Portfolio Committee – Chaired by Councillor SH Nxumalo
- Community Services Portfolio Committee – Chaired by His Worship Deputy Mayor, Cllr. C Swartz
- Technical Services Portfolio Committee - Chaired by His Worship Mayor Councillor SJ Vilane
- Planning & Economic Development Portfolio Committee - Chaired by Councillor SH Nxumalo
- Municipal Public Accounts Committee – Chaired by Cllr. Sangweni

### **2.2 SECTION B: ADMINISTRATIVE GOVERNANCE**

#### **ORGANISATIONAL STRUCTURE**

In accordance with municipal legislation, UMkhanyakude District Municipality has developed an organizational structure which has been adopted by Council. The managerial structure has been developed in a manner that would enable the Municipality to deliver on its priorities and objectives, as set out in the Municipality's Integrated Development Plan. UMkhanyakude District Municipality consists of six departments, namely the Office of the Municipal Manager; Corporate Services, Financial Services, Community Services, Technical Services and Planning & Economic Development Services. The Municipal Manager joined the Municipality at the beginning of April 2014.

### TOP MANAGEMENT STRUCTURE



#### THE OFFICE OF THE MUNICIPAL MANAGER IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Overall Administrative Management & Oversight
- Municipal Support functions
- Communications, Marketing and Branding
- Internal Audit & Risk Management
- Legal Services
- Research & Policy Development
- Intergovernmental Relations (IGR)
- Batho Pele Implementation & Monitoring

#### THE CORPORATE SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:

- Information Communication Technology
- Support Services (Administration, Auxiliary Services, Council Support, Facilities Management; Records and Information Management and Knowledge Management)
- Human Resources Management (Organizational Development, Recruitment and Selection, Employee Wellness and Occupational Safety, Career Development, Performance Management, Human Resources Development, Labour Relations and Batho Pele)

**THE FINANCIAL SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Budget and Treasury Management
- Supply Chain Management
- Revenue Management
- Expenditure Management
- Financial Control and Cash Management
- Accounting and Reporting

**THE TECHNICAL SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Municipal Infrastructure Planning, Funding, Maintenance and Development Management
- Electricity Distribution Management
- Water Distribution Management
- Sanitation Distribution Management
- Roads and Storm water
- Waste Management
- Water Quality Monitoring
- Project Management Unit

**THE PLANNING & ECONOMIC DEVELOPMENT DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Spatial Planning
- Land Use Management & Administration
- Geographical Information Systems (GIS)
- Integrated Transport Planning
- Environmental Planning & Management
- District-Wide Growth & Development Planning (DGDP)
- Secretariat to the District Development & Planning Commission (DDPC)
- Human Settlement Planning & Coordination
- Integrated Development Planning (IDP)
- Performance Management Systems (PMS)
- Local Economic Development (LED)
- Tourism Development & Marketing
- uMhlosinga Development Agency (UMDA)

**THE COMMUNITY SERVICES DIRECTORATE IS RESPONSIBLE FOR THE FOLLOWING FUNCTIONS:**

- Fire Services
- Disaster Management
- Special Programmes
  - Youth & Sports Development & Support Programmes
  - for People with Disabilities Development & Support Programmes
  - Elderly People Development & Support Programmes
  - Women Development & Support Programmes
  - HIV/Aids Support Programmes
- Sector Development
- Environmental Health Planning & Management
- Protection Services
- Social Development

## **2.3 SECTION C: CORPORATE GOVERNANCE**

### **Risk Management, Fraud and Crime Prevention Policy**

The risk management framework and Risk Management Policy are in place. The Risk Assessment has been undertaken with the assistance of the Provincial Treasury and the Risk Management Plan will be in place as from 1 September 2014 at the latest. The Fraud and Crime Prevention Policy is being developed and will be implemented from 1 November 2014.

### **Website Functionality**

- The municipal website is fully functional. The up-time is normally 99.9%. The Information Communication Unit comprises the Manager: Information Technology, the IT Officer and the IT Helpdesk. The personnel within this section has been trained on updating the Website. Administrator Username and Password have been created to administer the site.
- The information is supposed to be uploaded on the website on weekly basis and be authorized by the relevant Head of Department within which that function resides. A Web Interface has also been created.
- The municipal website has approximately 1000 visitors per month for both viewing and downloading of documents.
- Website uptime in the year 2013-2014 has been 99%.

### **The following activities were also done during 2013/2014 financial year:**

- Developed IT Security Management Plan and was approved by Council.
- Developed IT Security Policy which included Change Management Policy and Procedures, Backup Policies and was approved by Council.
- Developed IT Governance Framework and Charter, and was approved by Council.
- Developed Business Continuity Plan and was approved by Council.
- Developed IT Procedure Manual
- Developed Intranet for the municipality and put policies, staff phone directory, still to install ESS & Leave modules and interface them with Payday system. Then link it to the municipal website
- Rolled out Samsung Tablets to Councillors, to enhance communication with reduced costs. Still to setup SharePoint for Central Document Repository.
- Provide continuous IT desktop support to +-150 users:
  - Payday, Pastel, Abakus, Internet & Email system
  - Server management- 9 servers
  - Firewall security- Unauthorized access into the municipality network.
- Provide continuous IT infrastructure maintenance
- Procured a new 30 KVA UPS for Server room (data center).



## **CHAPTER 3: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS**

### **3.1 SECTION A: TECHNICAL SERVICES & INFRASTRUCTURE SERVICES PERFORMANCE HIGHLIGHTS**

The Technical Services & Infrastructure Department is responsible for the rendering and implementation of infrastructure development, monitoring of infrastructure maintenance throughout the municipality, providing monitoring, EPWP compliance, data capturing and reporting.

uMkhanyakude's core function in terms of service delivery mainly focuses on the provision of basic water and basic sanitation services. The provision of basic electricity is in the process of being devolved to local municipalities with the municipality still holding two licenses to service the Ingwavuma and KwaMsane areas.

The following points summarises functional areas of infrastructure development for the municipality's Technical Services & Infrastructure Department:-

- Water Services Authority: this Section is the engine room for the planning of future projects for implementation;
- New Infrastructure Development (PMU): executes and manages project implementation;
- Operations and Maintenance: undertakes the water service provider duties and is responsible for the operation and maintenance of water services infrastructure. To a very lesser extent this division also deals with the maintenance of energy infrastructure.

According to the Census data, there are 128 195 households in the uMkhanyakude District Municipality. Jozini, Mtubatuba and uMhlabuyalingana are most populous municipalities with 38 849, 34 905 and 33 857 households respectively. Hlabisa and The Big 5 False Bay municipality are the least populated with populations of 12 586 and 7 998 households respectively.

Of all the district municipalities in KwaZulu Natal, uMkhanyakude has the lowest level of access to municipal services. Only 61.6% of households have access to water, 73.3% have access to sanitation and 39.8% have access to electricity. This is against the backdrop of a Province that has a fairly large number of district municipalities with more than an 80% access to services.

The backlogs in terms of water, sanitation and electricity that have been recorded by Statistics South Africa as at 2011 are made up as follows:-

Municipality	Number of HHs	Piped (tap) water inside dwelling unit or yard or on community standpipe		HHs unserved	Pit latrine or higher LoS (Pit, flush or chemical)		HHs unserved	Electricity (household connection)	HHs unserved	
		HHs served	% served		HHs served	% served		HHs served	% served	Total
Umhlabuyalingana	33 857	19 358	57.2	14499	26 734	78.0	7 123	5 092	19.0	28 766
Jozini	38 849	22 576	58.1	16273	27 782	71.5	11 067	11 377	29.3	27 473
The Big Five False Bay	7 998	7 632	95.4	366	7 273	90.9	725	3 875	48.5	4 123
Hlabisa	12 586	5 476	43.5	7110	11 622	92.3	964	7 281	57.9	5 305
Mtubatuba	34 905	23 956	68.6	10949	24 394	69.9	10 511	23 434	67.1	11 471
<b>DC 27</b>	<b>128 195</b>	<b>78 998</b>	<b>61.6</b>	<b>49197</b>	<b>97 805</b>	<b>76.3</b>	<b>30 390</b>	<b>51 059</b>	<b>39.8</b>	<b>77 137</b>

**Access to water:** 61.6% households in uMkhanyakude have access to water inside their dwelling units or via community standpipes. The small municipality of Big 5 False Bay is the most served with 95% access to water followed by Mtubatuba with 68.6% of households being adequately served. This could be largely attributed to the comparable higher population densities in these areas with larger urban and peri-urban footprints. Hlabisa Local Municipality is the lowest served with only 44% of households with access to safe drinking water.

**Access to Sanitation:** 76% of household in uMkhanyakude have access to an acceptable standard of sanitation. Of the 76%, 92% are located in Hlabisa Local Municipality with Mtubatuba Local Municipality being the least served with 70% of households with access to acceptable sanitation facilities.

#### IMPLEMENTATION OF INFRASTRUCTURE PROJECTS

The 2013/2014 and future 2014/2015 financial year grant funding allocations to the municipality is tabled as follows:-

Funding Programme	Department	2013/2014 Budget	2014/2015 Budget
Massification	CoGTA	R18 859 335	R6 339 485
MIG	CoGTA	R233 197 000	R206 020 000
RBIG	DWA	R207 491 996	R392 000 000
MWIG	DWA	R27 074 000	R27 020 000
ACIP	DWA	R12 020 000	R1 867 645
National Transfers	DWA	R9 022 000	R0
Rural Sanitation Programme	DoH	R4 000 000	R4 000 000
Rural Roads Assessment & Management Systems	DoT	R2 101 000	R1 973 000
<b>Total</b>	<b>All</b>	<b>R288 373 335</b>	<b>R639 220 130</b>

The 2013/2014 MIG allocation of R233 197 000 included a R215 297 000 allocation for the 2013/2014 financial year and a rollover of R17 900 000 from the 2012/2013 financial year;

Projects implemented by the municipality during 2013/2014 under the MIG Programme is reflected below with the municipality expending 100% of the allocation:-

PROJECT NAME	Approved Value	Previous Expenditure	2013/2014 Expenditure
Jozini Rural Roads , Water and Sanitation Phase 2	2 583 393.00	-	0
kwaNgwanase Community Water Supply Phase 3	102 657 991.00	1 321 031.35	0
Ezibayeni Wcater Supply Phase 2	41 895 535.00	151 909.81	166 295.22
Mpophomeni Community Water Supply Scheme Phase 2	38 815 718.0	930 537.85	119 613.02
Mtubatuba Treatment Works Upgrade	73 466 382.00	16 586 058.77	3 654 776.01
Nordale Sewerge Scheme	1 231 560.00		79 499.99
KwaJobe Community Water Supply Scheme (Ntshongwe Malobeni)	160 194 178.00	19 416 038.84	11 746 371.78
Mtubatuba Sanitation Project	95 778 068.0	11 570 564.86	27 886 167.37
Ingwavuma VIP Sanitation Project	142 588 855.43	14 906 884.84	23 371 549.68
Thembaletu Sanitation Project	100 918 806.75	3 617 791.82	16 058 076.80
Mkuze WTW Upgrade and refurbishment	25 115 245.64	907 955.04	2 668 820.449
Mpukunyoni Community Water Supply Scheme: Remedial Works and Upgrade	92 351 248.00	58 384 997.29	12 868 751.09
Hluhluwe Phase 1 Water Supply Scheme – Upgrade	38 867 955.00	24 183 610.99	447 618.02
Hlabisa –Mandlakazi Water Supply ; Secondary Bulk and Reticulation	113 823 000.00	57 883 989.71	16 857 936.50
Jozini Regional Community Water Supply Scheme Phase 1A	255 877 297.00	20 911 107.43	75 166 432.95
Shemula Water Supply Scheme –Upgrade	86 811 000.00	4 905 452.00	32 340 936.87
uMkhanyakude District – Disaster Management Centre	14 626 302.54	849 713.74	7 651 954.16
PMU		-	2 112 200.05
<b>TOTAL</b>	<b>R1 387 502 536.16</b>	<b>R236 774 437.15</b>	<b>R233 197 000.00</b>

DWA transferred the full DoRA gazetted MWIG allocation to the value of R27 074 000 to the municipality and expenditure achieved for 2013/2014 on the Programme is as follows:-

MWIG Project	Expenditure 2013/14
Mabibi Scheme Refurbishment	R269 726.03
Ingwavuma Interim Water Supply	R4 984 757.46
Borehole Development Programme: Phase 1 – Historical Work	R8 957 105.91
Borehole Development Programme Phase 2 – DWA Term Contract	R667 826.46
Borehole Development Programme: Phase 3 – uMhlabuyalingana	R92 273.99
Nkunduzi Interim Supply	R46 393.44
KwaZibi Water Supply Phase 1	R1 516 594.44
Mseleni Water Supply Phase 1	R2 363 363.64
Manguzi Star of the Sea Water Project	R6 613 014.65
<b>TOTAL</b>	<b>R25 511 056.02</b>

Mhlathuze Water, through a signed agreement, act as uMkhanyakude's Implementing Agent for the implementation of three projects on the RBIG Programme with expenditure achieved for 2013/2014 as follows:-

<b>RBIG Project List</b>	<b>Expenditure 2013/14</b>
Hlabisa	R43 880 491.44
Dukuduku	R42 352 176.84
Pongolapoort	R150 730 275.00
<b>TOTAL</b>	<b>R236 962 943.00</b>

DWA transferred the full gazetted National Transfers allocation to the value of R9 020 000 to the municipality and expenditure achieved for 2013/2014 on the Programme is as follows:-

<b>National Transfers Project List</b>	<b>Expenditure 2013/14</b>
Jozini WWTW	R2 041 663.42
Jozini WTW	R3 697 000.00
Mbazana WTW	R3 904 259.10
<b>TOTAL</b>	<b>R9 642 922.52</b>

The full allocation of R4 000 000 and R2 101 000 for the Rural Sanitation Programme and Rural Roads Assessment & Management Systems respectively has fully been expended in the 2013/2014 financial year.

#### **FUTURE INFRASTRUCTURE PLANNING**

uMkhanyakude is being supported by Mhlathuze Water in the development of a regional water masterplan for the entire area. This masterplan will contextualise the three major regional schemes that the municipality is currently implementing under the RBIG Programme and incorporate four potential future regional schemes. The concept behind the regional schemes is to ensure a sustainable and reliable source of water is secured to benefit the people of uMkhanyakude and to ensure growth in local economic development.

The four potential future projects identified include:-

- Jozini WTW and Bulk Supply Upgrade to Mbazwane
- Shemula Upgrade and Bulk Supply to Kwangwanase
- Shemula Upgrade to Ndumo and Manyiseni
- Matubatuba Bulk Water Supply from Nseze

The purpose of the municipality's request to motivate the above potential projects for RBIG funding is to alleviate the financial strain placed on the municipality's MIG Programme as a result of the high capital costs required to implement the regional bulks planned. This would free up MIG funding for the reticulation components of the regional schemes.

#### **OPERATIONS AND MAINTENANCE OF SCHEMES**

During 2013/2014 unreliable service delivery to consumers, high backlogs, lack of revenue collection and insufficient municipal budget among other things, resulted in poor or inadequate operations and maintenance of existing infrastructure. It is a priority of the Technical Services and Infrastructure Department in the 2014/2015 financial year to prioritise the development of strategies to bring service back to normality and interventions will be implemented. It is envisaged that these strategies will go hand in hand with improved revenue collection strategies.

On a frequent basis the Department of Water & Sanitation conducts Blue Drop assessments of the status and quality of drinking water produced and supplied to consumers and Green Drop assessments of the effluent treated and discharged into the environment. The final scoring takes into consideration a number of key criteria.

The 2013 Blue Drop Progress Report indicates the risk rating of the potable water treated at each of uMkhanyakude's 26 water treatment works producing approximately 46 Ml of water a day. Overall the municipality has scored an unsatisfactory score of 62.78% in terms of the risk rating and acknowledges that challenges need to be addressed in the coming year to improve on overall performance in terms of service delivery. Production outputs and risk assessment scoring for each of the water treatment works is reflected as follows:-

Local Municipality	Treatment Works	Population Served	Daily Production 2013/2014 (MI)	Production 2013/2014 (MI)	DWS Risk Rating (%)
The Big 5 False Bay	Hluhluwe phase 1 WTW		5.59	2 040.9	66.90
The Big 5 False Bay	Hluhluwe Phase 2 WTW		1.37	499.6	67.27
<b>Total The Big 5 False Bay</b>		<b>7 632</b>	<b>6.96</b>	<b>2 540.5</b>	
Hlabisa	Hlabisa WTW		0.51	184.8	56.88
Hlabisa	Nkolokotho WTW		5.68	2 072.3	61.08
Hlabisa	Mpembeni WTW				
<b>Total Hlabisa</b>		<b>5 476</b>	<b>6.18</b>	<b>2 257.1</b>	
Mtubatuba	Mtubatuba WTW		15.69	5 726.7	68.85
<b>Total Mtubatuba</b>		<b>23 956</b>	<b>15.69</b>	<b>5 726.7</b>	
Jozini	Nondabuya WTW		0.31	113.9	62.93
Jozini	Jozini New WTW		4.95	1 807.2	56.88
Jozini	Jozini Old WTW		2.53	923.4	57.38
Jozini	Mkuze WTW		2.04	745.9	64.99
Jozini	Mkuze River WTW				
Jozini	Othobothini WTW		0.52	189.7	68.19
Jozini	Makhonyeni WTW		0.69	250.9	66.90
Jozini	Blocks 6 WTW		0.21	6.3	67.53
Jozini	Mjindi Central WTW		0.31	113.0	59.17
Jozini	Malobeni WTW		0.42	154.4	67.27
Jozini	Ingwavuma WTW		0.44	159.3	66.80
<b>Total Jozini</b>		<b>22 576</b>	<b>12.23</b>	<b>4 463.9</b>	
UMhlabuyalingana	Shemula WTW		5.41	1975.0	54.94
UMhlabuyalingana	Mbazwana WTW		2.41	881.2	58.18
UMhlabuyalingana	Manguzi WTW				
UMhlabuyalingana	Enkanyezini WTW		0.64	233.0	66.80
UMhlabuyalingana	Mseleni WTW		1.06	386.8	54.94
UMhlabuyalingana	Gezisa WTW		1.34	489.0	
UMhlabuyalingana	Manguzi Airfield WTW		0.93	340.2	67.27
UMhlabuyalingana	Thengane WTW		0.93	338.5	
UMhlabuyalingana	Mshudu WTW		0.50	182.1	
<b>Total uMhlabuyalingana</b>		<b>19 358</b>	<b>5.40</b>	<b>1 969.6</b>	
<b>Total uMkhanyakude</b>		<b>78 998</b>	<b>46.46</b>	<b>16 957.8</b>	<b>62.78</b>

The Green Drop scoring and risk rating profile for the 10 wastewater treatment works is reflected as follows:-

Local Municipality	Treatment Works	Green Drop Score (2013)	Green Drop Score (2012)	Green Drop Score (2011)	DWS Risk Rating (%) 2012	DWS Risk Rating (%) 2013
Jozini	Bethesda Hospital Ubombo	24.77%	24.60%	2.00%	64.70%	64.71%
Hlabisa	Hlabisa	27.27%	23.40%	1.00%	70.60%	58.82%
The Big 5 False Bay	Hluhluwe	27.49%	24.40%	10.00%	67.70%	58.82%
Jozini	Ingwavuma Mosvold Hospital	22.99%	23.40%	1.00%	47.06%	58.82%
Jozini	Jozini	23.49%	23.60%	19.00%	58.80%	47.06%
Mtubatuba	KwaMsane	40.17%	19.10%	0.00%	76.50%	52.94%
uMhlabuyalingana	Manguzi Hospital	22.99%	24.10%	16.00%	52.90%	58.82%
Mtubatuba	Mtubatuba	31.12%	21.80%	0.00%	35.30%	64.71%
Jozini	Mkhuze	25.99%	21.40%	1.00%	64.70%	64.71%
Mtubatuba	St Lucia	26.99%	23.80%	1.00%	64.70%	58.82%

uMkhanyakude District Municipality's 2013 performance of 29.59% has improved on the 2012 score of 22.2% but is still not performed unsatisfactory. This indicates that the waste water services are not being managed according to the expectations of the regulation programme with the Green Drop requirements not met.

## CHALLENGES AND RECOMMENDATIONS

<u>Division</u>	<u>CHALLENGE</u>	<u>RECOMMENDATION / ACTION PLAN</u>
Water Services Authority	<ul style="list-style-type: none"> <li>The water backlog figure of 30% is unconfirmed due to a lack of an updated and current WSDP</li> <li>Backlog is a moving target especially in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>Budget allocated in 2014/2015 for preparing WSDP;</li> <li>ToR to be developed;</li> <li>Consultant to be appointed</li> </ul>
Water Services Authority	<ul style="list-style-type: none"> <li>Sanitation backlog is higher than the reported 23%;</li> <li>Existing projects not meeting standards;</li> <li>No buckets in DM but unventilated pit latrines;</li> <li>O &amp; M infrastructure requirements;</li> <li>Ndumo area – new infrastructure required;</li> <li>Jozini and Kwangwanase – require upgrading;</li> <li>Mtubatuba – remove and replace asbestos piping with PVC pipes</li> <li>Backlog is a moving target especially in rural areas</li> </ul>	<ul style="list-style-type: none"> <li>No budget and plans for sanitation</li> <li>Budget allocated in 2014/2015 for preparing WSDP;</li> <li>ToR to be developed;</li> <li>Consultant to be appointed</li> <li>DoHS allocating budget for sanitation</li> </ul>
Water Services Authority	<ul style="list-style-type: none"> <li>Huge backlog in terms of rudimentary supply ie maintaining existing infrastructure and installing new infrastructure</li> <li>Large budgets required but insufficient funding available</li> <li>Infrastructure easily vandalised</li> </ul>	<ul style="list-style-type: none"> <li>Municipality does not view boreholes as strategic long term solution;</li> <li>Prefers regional water schemes to enhance economic development of the northern region of KwaZulu Natal</li> </ul>
Water Services Authority	<ul style="list-style-type: none"> <li>Inadequate and unreliable water resources</li> </ul>	<ul style="list-style-type: none"> <li>in favour of regional schemes as a long term source;</li> <li>interim source boreholes or river abstraction</li> <li>the following additional projects are needed to deal with backlogs. <ul style="list-style-type: none"> <li>Jozini WTW and Bulk Supply Upgrade to Mbazwane project</li> <li>Shemula upgrade and bulk supply to Kwangwanase</li> <li>Shemula upgrade to Ndumo and Manyiseni project</li> <li>Matubatuba bulk water supply from Nsezi</li> </ul> </li> </ul>
Water Services Authority	<ul style="list-style-type: none"> <li>ageing infrastructure</li> <li>high O&amp;M costs to operate &amp; high replacement costs</li> </ul>	<ul style="list-style-type: none"> <li>develop a regional masterplan to consider current and future status</li> <li>Mhlathuze Water to assist municipality in preparing masterplan;</li> </ul>
New Infrastructure Development	<ul style="list-style-type: none"> <li>Grant funding insufficient to meet municipality's demand;</li> <li>RBIG allocation too little for planned regional projects – e.g. only R206 million allocated MIG funding being diverted to RBIG projects;</li> <li>Allocations not aligned to DM commitments e.g. stoppages during financial year not taken into consideration.</li> </ul>	<ul style="list-style-type: none"> <li>DM has submitted motivation to DWA copied to COGTA but no idea on progress on the matter</li> </ul>
Operations & Maintenance	<ul style="list-style-type: none"> <li>Recently commissioned water projects experiencing functionality problems;</li> <li>Lack of an O&amp;M Plan</li> </ul>	<ul style="list-style-type: none"> <li>Budget allocated in 2014/2015 for preparing O&amp;M Plan;</li> <li>ToR to be developed;</li> <li>Consultant to be appointed</li> </ul>

### 3.2 SECTION B: PLANNING AND ECONOMIC DEVELOPMENT (PED) SERVICES PERFORMANCE HIGHLIGHTS

Under the reporting period the Directorate of Planning & Economic Development (PED) Services was strategically responsible for the overall facilitation, coordination, implementation, management and monitoring of the following core functional areas as well as Performance Highlights presented below according to each core function. A table under each core function is provided indicating broad challenges that was facing the Department under reporting period. Similarly a suit of possible recommendations to the identified challenges is included in the same table.

#### DEVELOPMENT PLANNING SERVICES

##### CORE FUNCTIONS & SERVICES

- ✓ Spatial Planning
- ✓ Land Use Management & Administration
- ✓ Geographical Information System (GIS)
- ✓ Human Settlement Planning & Coordination
- ✓ Integrated Transport Planning
- ✓ Environmental Planning & Management
- ✓ Secretariat to the District Development & Planning Commission (DDPC)
- ✓ District Growth & Development Planning (DGDP)
- ✓ District Development Planning Services Governance & Coordination (*i.e. District Development Planners Forum*)
- ✓ District Environmental Planning & Management Governance & Coordination (*i.e. District Environmental Planning & Management Forum*)

##### THE 2013/2014 DEV. PLANNING SERVICES PERFORMANCE HIGHLIGHTS:

- Successfully ensured the Review and adoption of the District-Wide Spatial Development Framework (SDF) 2014/2015;
- Supported and Coordinated the Review & Adoption of Spatial Development Frameworks (SDFs) of Family of Municipalities,
- Participated in the Implementation of the Provincial Formalization Programme of Manguzi, Mbazwane, Jozini & Jozini Rural Towns
- Represented uMkhanyakude in the Implementation of the iNkululeko Development Projects – Ndumo
- Coordinated and supported the preparation of the six (6) Jozini Municipal Nodal Schemes of Ndumo, Ingwavuma, Mkhuze, Jozini, Bhambanana, & uBombo.
- Participated on the Implementation of the KZN-Cogta-Funded Jozini Town Expansion Project
- Represented the District in the Management of the Dukuduku On-site-Resettlement Project Coordinating Committee (PCC)
- Supported and Coordinated the processing of Planning & Development Act (PDA) development applications throughout the District and submitted 4 quarterly PDA Register reports to Council
- Represented the District in all KZN Provincial Planning Law Forum Meetings
- Represented the District in all Provincial Geographical Information (GIS) Technical Forum Meetings
- Represented the District in all the Provincial Environmental Management & Coordinating Committee (PEMCC) Meetings
- Coordinated and Managed the functioning the District-Wide Development Planners Forum by staging at least six (6) Forum Meetings



- Successfully Managed the Development Planning Shared Services (DPSS) facility and facilitated the conversion of the DPSS Contract-based staff into Permanent-based staff and amalgamation into District Organizational structure.
- Successfully Compiled the revised District-Wide DPSS Business Plan for 2014 - 2016
- Coordinated & managed the Compilation Final District-Wide Environmental Management Framework (EMF) Plan;
- Coordinated and Managed the successful Hosting of a KZN-Cogta Funded District-Wide Growth & Development Summit (GDS) in October 2013;
- Coordinated and Managed the Compilation of the KZN-Cogta Funded Final Draft District-Wide Growth & Development Plan (DGDP) by May 2014;
- Coordinated SPLUMA Implementation within the District in partnership with Local Municipalities
- Contributed in the Annual Review and Adoption of 2014/2015 District and Local Municipal Integrated Development Plans (IDPs) by 30 June 2014.
- Contributed with Necessary Secretariat support services to ensure smooth functioning of the existing District Development & Planning Commission (DDPC).
  - On an ongoing basis continued to provide development planning input, support and advise in various sector-specific fora and platforms as and when required such as follows: Municipal Managers Forum; Local Municipal Housing Forums, LED Forums, Tourism Forum, Infrastructure Forum, Waste Management Forum; IDP Representative Forum (RF); Etc.....

**KEY CHALLENGES & RECOMMENDATIONS:**

<b>CHALLENGES</b>	<b>RECOMMENDATIONS / ACTION PLANS</b>
1. General lack of a culture of reporting and accounting to various municipal structures about the activities performed by the Development Planning services section	<ul style="list-style-type: none"> <li>• Engage in ongoing reporting to various structures, i.e. Planners forum, Manco, Portfolio Committees, EXCOs, Council, etc...</li> </ul>
2. Delays in Filling of Critical Posts, i.e. 2 x Senior Planners and GIS Specialist	<ul style="list-style-type: none"> <li>• Filling of Vacant Posts</li> </ul>
3. Lack of adequate knowledge and understanding of the strategic importance of the development Planning function within the family	<ul style="list-style-type: none"> <li>• Ongoing Training, Capacity Building Campaigns and awareness</li> <li>• Making Presentations etc...</li> </ul>
4. Inadequate adherence to the Provision of the District and Local Municipalities SDFs	<ul style="list-style-type: none"> <li>• Ongoing Training, Capacity Building Campaigns and awareness</li> <li>• Making Presentations etc...</li> <li>• Ensuring that SDF is implemented and used as guide for day to day decision making in municipalities</li> </ul>
5. Lack of a fully functional GIS System in the District due to lack of Capacity among other reasons	<ul style="list-style-type: none"> <li>• Filling of GIS posts</li> <li>• Establishment of the District-Wide GIS Hub that will serve the various of clients within the District</li> </ul>
6. Lack of a single long term district-wide growth & Development Plan	<ul style="list-style-type: none"> <li>• Compile and adopt the District-Wide Growth &amp; Development Plan (DGDP) to guide long term planning &amp; development in the district</li> </ul>
7. Lack of adequate capacity and necessary to perform the Environmental Planning & Management function in the District	<ul style="list-style-type: none"> <li>• Include the Unit of Environmental Planning &amp; Management in the Organogram within the Department of Planning &amp; Economic Development (PED)</li> <li>• Compile, Adopt, Implement &amp; Launch the District-Wide Environmental Management Framework (EMF)</li> <li>• Compile, Adopt &amp; implement the District-Wide Integrated Waste Management Plan (IWMP)</li> <li>• Establish the District-Wide Environmental Planning &amp; Management Forum to help coordinate all related issues in the DM</li> </ul>

CHALLENGES	RECOMMENDATIONS / ACTION PLANS
8. Lack of a Comprehensive Framework Plan for the implementation of Land Use Management Systems & Administration function throughout the District	<ul style="list-style-type: none"> <li>• Compile and Adopt a comprehensive Framework Plan for the Preparation of Wall-to-Wall Schemes in terms of SPLUMA &amp; PDA throughout the District</li> </ul>
9. General lack of understanding of the implications of the latest Planning Laws in Municipalities, i.e. Spatial Planning & Land Use Management Act (SPLUMA) & Planning & Development Act (PDA).	<ul style="list-style-type: none"> <li>• Facilitate Planning Laws Training &amp; Awareness Sessions throughout the District and with other key stakeholders</li> <li>• Establish the Municipal Planning Tribunal (MPT)</li> <li>• Institutionalize the implications of the new Planning Laws by amending the Organizational structures and making budget provisions..</li> </ul>
10. Lack of a reviewed District-Wide Integrated Public Transport Network (IPTN)	<ul style="list-style-type: none"> <li>• Compilation and Adoption of the District-Wide Integrated Public Transport Network (IPTN) for uMkhanyakude Family of Municipalities</li> </ul>
11. Lack of a Council Adopted District-Wide Growth and Development Plan (DGDP)	<ul style="list-style-type: none"> <li>• Submit the Final Draft DGDP for Adoption by Council</li> <li>• Stage an official Public Launch of the Final Adopted DGDP</li> </ul>

***(Source: 2013/2014: SDBIP for Planning & Economic Development (PED) Department)***

## INTEGRATED DEVELOPMENT PLANNING (IDP) & PERFORMANCE MANAGEMENT SYSTEMS (PMS)

The following table represent IDP and PMS activities that took place during 2013/2014 financial year:

MONTH	IDP Steering Committee	Development Planning Forum	IDP Representative Forum (IDP RF)	Public Consultation	Performance Management System
JULY	1 <sup>st</sup> Meeting (DC27) -15 <sup>th</sup>	1 <sup>st</sup> Meeting -24 <sup>th</sup>			
AUGUST			1 <sup>st</sup> Meeting (DC 27)-14 <sup>th</sup> (KZ 273)-7 <sup>th</sup>		Performance Report – AG: Annual Report – <b>(31 Aug)</b>
SEPTEMBER	2 <sup>nd</sup> Meeting (DC27) –23 <sup>rd</sup> (KZ 273)-16 <sup>th</sup>	2 <sup>nd</sup> Meeting-24 <sup>th</sup>			Annual Performance Review: Previous FY <b>(Sep)</b>
OCTOBER					1 <sup>st</sup> Quarterly Review <b>(11 Oct)</b>
NOVEMBER	3 <sup>rd</sup> Meeting (DC 27)-18 <sup>th</sup>	3 <sup>rd</sup> Meeting-20 <sup>th</sup>			
DECEMBER	(KZ 273)-09 <sup>th</sup>		2 <sup>nd</sup> Meeting (DC 27)-11 <sup>th</sup>	IDP/Budget <i>Izimbizo</i>	
JANUARY	4 <sup>th</sup> Meeting (DC27)-20 <sup>th</sup>	4 <sup>th</sup> Meeting-16 <sup>th</sup>			2 <sup>nd</sup> Quarterly Review & Mid-term Review <b>(13 Jan)</b> Annual Report (Previous FY) – <b>25 Jan</b>
FEBRUARY		5 <sup>th</sup> Meeting-12 <sup>th</sup>			
MARCH	5 <sup>th</sup> Meeting (DC27)-17 <sup>th</sup>				Commencement of SDBIP Preparations (next coming FY)
APRIL		6 <sup>th</sup> Meeting-16 <sup>th</sup>	3 <sup>rd</sup> Meeting (DC 27)-08 <sup>th</sup> (KZ 274)- 29 <sup>th</sup>	IDP/Budget Consultative Meetings	3 <sup>rd</sup> Quarterly Review <b>(14 Apr)</b> Finalise SDBIPs
MAY	6 <sup>th</sup> Meeting (DC27)-19 <sup>th</sup>				Finalise OPMS
JUNE					Finalise Performance Contracts Finalise Performance Plans Adoption of PMS 4 <sup>th</sup> Quarterly Review/Annual Review <b>(14 Jul)</b>

- IDP SC meetings were held as part of MANCO meetings
- All Development Planning meetings happened successfully
- Only two three IDP RF meetings happened as the last meeting could not happen due to other commitments that clashed with this meeting
- PMS compliance and critical deadlines were not observed during 13-14
- Performance agreements were signed
- Performance Plans were signed

- Quarterly reports were prepared but reviews were not conducted
- Mid-term review report was prepared but assessment was not conducted
- Annual performance review was not conducted

**MEC 'S COMMENTS FOR 2013/2014 IDP**

<b>SUMMARY OF MEC'S COMMENTS – 13/14 IDP</b>		<b>RESPONSE BY UMKHANYAKUDE DISTRICT MUNICIPALITY</b>
<b>Municipal Transformation and Institutional Development</b>	Staff recruitment and retention strategy not available	The Municipality is in the process of revising its existing policies and Section 1 of the Policy Manual is Recruitment, Selection and Retention Strategy which includes all the policies and strategies that are going to be implemented by the Municipality in the recruitment and retention of staff. This section includes the Induction as well as Career and Succession Planning Policy / Strategies. These policies / strategies were adopted by Council in the last quarter of the current financial year for implementation in 2014/2015 financial year which means that they will form part of the 2014/2015
	Anti-corruption Strategy not available	Will be developed during 2014/2015 FY
<b>Local Economic Development</b>	LED Strategy to be aligned with the PGDS, PSED and SDF	A Service Provider was appointed to review the LED Strategy and issues raised will be addressed during the review
<b>Basic Service Delivery and Infrastructure Development</b>	Lack of integration of infrastructure plan with sector departments	IDP Alignment sessions championed by COGTA should assist in addressing this challenge
	Housing Sector Plans for LMs not reflected as a <u>guide to infrastructure</u>	The Planners Forum will assist in bridging this gap
	Reviewed WSDP not included in the IDP	Challenge to be addressed in 15/16 FY
	No reference made to the Solid Waste Management	The Department of Environmental Affairs is assisting the DM to review the IWMP
	Transport infrastructure	The reviewed SDF will address road networks
	Energy assessment needs aligned with ESKOM Plan not available	Energy assessment will be aligned with ESKOM during 15/16 FY

## **PUBLIC PARTICIPATION THROUGH IDP AND BUDGET**

In terms of the Municipal Systems Act no 32 of 2000 section 16 (1) municipality must develop a culture of community participation in the preparation, implementation and review of its Integrated Development Plan (IDP). Subsection (c) stipulates that a municipality should use its resources and allocate budget for the purposes of implementing all provisions stipulated in section 16, which includes the IDP.

The meetings were then scheduled as follows:

<b>DATE</b>	<b>MUNICIPALITY</b>	<b>VENUES</b>
<b>03 December 2013</b>	The Big 5 False Bay	Makhasa Sports Field
<b>12 Dec 2013</b>	Jozini	Bhambanana Sports Field
<b>17 Dec 2013</b>	Umhlabuyalingana	New Age Primary School
<b>19 December 2013</b>	Mtubatuba	Somkhele Sports Field
<b>07 February 2014</b>	Hlabisa	Mpembeni Sports Field

The Mayor, Cllr SJ Vilane presented the following items to the public:

- Population Demographics;
- Service Delivery Backlogs;
- Proposed Priorities;
- Water & Sanitation Services Implementation Strategies;
- Bulk Water Implementation Strategy; and
- Addressing Basic Service Delivery Backlogs per Municipality

Mayors from local municipalities and the Mayor from the District Municipality presented on development interventions and members of the community engaged mayors on the following issues:

- Fencing of grazing fields
- Early Childhood Centers (Creches)
- Kids with special needs who cannot be accepted in schools and special schools are very far
- Provision of water and electricity
- Provision of low-cost houses
- Budget to be set aside for small scale projects for the benefit of the community
- Roads are not in good condition
- Provision of electricity
- Health care facilities not available
- Community Hall
- Provision of sports field
- Free transport to schools is not available to all children
- Bursary schemes to be made available to students who come from poor families
- High schools are not sufficient to accommodate pupils from four Primary Schools
- Pipeline next to Phinda Game Reserve to be given urgent attention
- Ineffective communication channels on service delivery issues
- Corruption in SASSA offices
- High death and crime rate
- Construction of speed humps on roads that are under construction

Some of the issues raised by members of the community were not related powers and functions for local municipalities and the District Municipality. The mayors committed themselves to addressing issues that are within the responsibilities of municipalities. Issues that fall outside the roles and responsibilities for municipalities will be directed to relevant service providers or sector departments.

There was not enough time to prepare thoroughly for the IDP/Budget *Izimbizo*. In some municipalities the attendance was very good. In some, the attendance was very bad. The first meeting for instance which was held at Makhasa for The Big 5 False Bay Municipality and the third meeting which was held at Mseleni for Umhlabuyalingana Municipality, were poorly attended but for different reasons. At the Big 5 the weather was unfavourable as it was raining in the morning and there was a low cost housing meeting that clashed with the *Imbizo* on the same day. At Umhlabuyalingana the *Imbizo* has held just after the holiday on the 17 December 2013 and the previous week, the Municipality was engaged in a strategic planning meeting which was held in Durban. Logistics for the *Imbizo* were poor between the District Municipality and as well as the Local Municipality.

Even though the *Izimbizo* were advertised on newspapers, using radio announcements could have improved attendance for all municipalities. The main challenge that was encountered during the preparations for *Izimbizo* was that the initial dates that were earmarked, could not be honoured for various reasons some of which had to do with the fact that December is not a good month for public participation meetings. It then became a challenge to use radio announcements effectively.

Below is an estimation of the number of stakeholders that attended the *izimbizos* and actual cost per municipality:

DATE	MUNICIPALITY	VENUES	ATTENDANCE	EXPENDITURE
03 Dec 2013	The Big 5 False Bay	Makhasa Sports Field	350	R130 000
12 Dec 2013	Jozini	Bhambanana Sports Field	2500	R320 000
17 Dec 2013	Umhlabuyalingana	New Age Primary School	230	R240 000
19 De 2013	Mtubatuba	Somkhele Sports Field	3000	R340 000
07 Feb 2014	Hlabisa	Mpembeni Sports Field	2000	R180 000
<b>Total</b>			<b>8080</b>	<b>R 1 210 000</b>

## PROPOSAL FOR THE FUTURE

Public participation meetings are good as they enable open dialog between the municipality and its citizens. If public participation is conducted in good spirit of putting people first, then there would be no animosity created between the municipality and its citizens. The *Izimbizo* for 2013/2014 managed to create an open and fair communication platform between the Municipality and the general public. In future, timing for *Izimbizo* should be spot on. Announcements for *Izimbizo* should be effective so as to improve attendance for intended communities. Other stakeholders that could add value to the public participation meetings such as the Department of Home Affairs, SASSA etc should be invited well in advance so that they prepare themselves properly. Again it all depends on fixed dates for *Izimbizo* and the right time in the calendar year. If all municipalities commit themselves to dates agreed upon well in time, then there is no reason for having unsuccessful public participation meetings.

## **LOCAL ECONOMIC DEVELOPMENT (LED) & TOURISM DEVELOPMENT & MARKETING**

The economic profile of UMkhanyakude District Municipality is correctly determined by the Local Economic Development (LED), which is Tourism and Agriculture. Planning and Economic Development Department is the main unit that expedites stimulation of the UMkhanyakude Local Economic Development and Tourism services. This happens through a lot of cascaded programmes that the said unit has developed. It aligns itself with other components that have the potential in increasing job opportunities and poverty eradication. The district is proactive in assuring the growth of the local business operations. To ensure continued Economic development in the area, the key priorities of UMkhanyakude district include the following:

### **CORE FUNCTIONS & SERVICES**

- ✓ Develop and support SSME's and co-operatives through infrastructure development:
  - Co-op and SMME's Development programme
  - Mseleni Groundnut project implementation
- ✓ To create environment that will ensure an inclusive District economy that will be representative of the broader demographics of the District
- ✓ LED strategy review and implementation.
- ✓ Maintenance and functionality of the LED Forum.
- ✓ Strengthening of UMhlosinga Development Agency
- ✓ Creating Jobs opportunities through LED initiative (EPWP)
- ✓ Developing Rural Tourism through adopting Responsible Tourism practices;
- ✓ Improving job creation opportunities and tourism service excellence;
- ✓ Channel efforts for tourism entrepreneurial opportunities;
- ✓ Coordinating all LED activities within the District family.

### **2013/2014 LED & TOURISM PERFORMANCE HIGHLIGHTS**

#### **International Labour Organization Programme**

The District Municipality, in partnership with the ILO trained 130 Cooperative members in business skills with a view to improving the management of their coops and also introduces business ethics in their management. Apart from the above, the project was meant to supplement the creation of employment through the strengthening of cooperatives. The programme included the development of a data base for SMMEs in preparation of them being involved in municipal procurement systems. Municipal officials were then trained in applying the data base during procurement processes. The programme is entering into the second phase which will be implemented during the next financial year, (2014/2015).

### **Informal Economy Chamber**

Informal economy plays a crucial role in improving and contributing a huge percentage to the economy of the district. District managed to revive the Informal Chamber for all local municipalities whereby all the chairpersons for local municipalities are members of the district forum

### **District-Wide LED Strategy**

Service provider was appointment to review the district LED Strategy after which challenges were experienced with the procedures followed resulting in the appointment being reversed. The process will be resumed in the 2014/2015 financial year.

### **Mseleni Groundnuts**

Project was funded by COGTA to the amount of R2,0 million and started in 2013/2014 financial year. The Steering Committee was formed with the assistance of COGTA, KZN Department of Agriculture, Traditional Authority and uMhlabuyalingana Municipality. About 50 hectares of land owned by cooperative has been fenced and partially cleared. A labour intensive EPWP principle was applied resulting in 90 jobs being created. The project has resulted in the Cooperative harvesting 21 bags of groundnuts.

### **AgriSETA Training**

Department of Higher Education was mandated by AgriSETA to conduct training programme to 30 co-operatives members within our district on farm together. Training and Capacity building of co-operatives is the key to ensure that our co-operatives are functioning and productive especially on the agricultural sector as the key economic driver of the district. AgriSETA appointed an accredited and experienced service provider, KMK Training Service provider to conduct training on farm together on 30 co-operatives members within the district.

### **Tourism Development and Promotion**

Tourism has been identified as one of the six fixed priority areas in the New Growth Path (NGP). The Umkhanyakude district Municipality through its Tourism Development and Promotion programme aims to engross towards the marketing and further identification of the already existing but unremarkable tourism products and services within the area. The focus of UMkhanyakude District Municipality is on both development and facilitation of tourism growth within the area. This is through providing support to a variety of public and private tourism key stakeholders in the District, stimulating Domestic and International tourism and education.

- Successfully participated on Tourism indaba 2014 in DBN ICC. Tourism Indaba is an internationally trade show, it assist to market and link up with well-established products owners.
- Successfully transfers grant funding for the operation and maintenance of District CTO (Elephant coast tourism organization. (CTO annually report is attached for easy reference)
- Service level agreement was signed between the two organization (District CTO and UMkhanyakude District)
- Successfully printed 2000 destination brochures and supply them to all District tourism information centers around the District and during tourism shows and exhibitions.
- Successfully printed 100 tourism DVDs for promotional purposes during tourism events domestic and international



- Participated on three domestic shows; i.e JHB Getaway show, Beeld Show and Cape Town Getaway show. In those shows we constructed 3x3 meter square stand plus the one sponsored by TKZN.
- Participated on tourism summer launch event organized by TKZN and DEDTEA.
- Attended and participated on tourism awareness campaigns in school, visited 6 tourism schools
- Attended tourism awareness camps at Mkuze game reserve, as part of tourism awareness campaigns
- Attended and participated on a two days National tourism capacity workshop for SMMEs, it was held at St Lucia Protea hotel.
- Attended and full participated on Mkuze airshow PSC meetings and actual event.
- Good relationship with tourism and LED sector departments and other relevant stakeholders
- Facilitated and participated in the visit to the District by the National Assembly Portfolio Committee on Tourism which aimed at touring the area and inspecting tourism projects especially those funded by sector departments.

## SECTOR DEPARTMENTS FUNDED PROJECTS

We managed to secure funding for the following tourism projects

Project name	Description	Location	Funding	Lead department	Status
➤ Muzi pan adventures and lodge	Accommodation, canoeing and bird viewing	Jozini LM	R10 Million	National Department of tourism	In progress
➤ Hlathikulu Camp site	Tented camps	Jozini LM	R4 Million	Environmental affairs	complete
➤ Sontuli Tourism camp	Tourism education center	Hlabisa LM/ within park	R8,5 Million	Environmental affairs	In progress
➤ Mbazwana tourism info center	Tourism information center office	Mhlabuyalingana LM	R800,000	KZN COGTA	Complete

**KEY CHALLENGES & RECOMMENDATIONS:**

CHALLENGES	RECOMMENDATIONS / ACTION PLANS
1. General lack of a culture of reporting and accounting to various municipal structures about activities performed by LED.	<ul style="list-style-type: none"> <li>Engage in ongoing reporting to various structures, ie Manco, Portfolio Committees, Exco and Council.</li> </ul>
2. Delay of filling critical posts LED Manager, Two Tourism officers.	<ul style="list-style-type: none"> <li>Filling of posts</li> </ul>
3. Lack of project management knowledge with the existing staff	<ul style="list-style-type: none"> <li>Ongoing training on projects management</li> </ul>
4. Delay in appointment of knowledgeable service providers in the SCM unit (LED strategy)	<ul style="list-style-type: none"> <li>Re-advertisement of the service provider to do a LED Strategy</li> </ul>
5. Lack of a District-Wide LED strategy and investment strategy	<ul style="list-style-type: none"> <li>Compiling and adopt the LED plan and investment strategy</li> </ul>
6. Insufficient LED and Tourism budget	<ul style="list-style-type: none"> <li>District to increase tourism and LED budget</li> </ul>
7. Tourism transformation	<ul style="list-style-type: none"> <li>Development of a transformation plan</li> </ul>
8. Illegal tourism establishment	<ul style="list-style-type: none"> <li>Development of tourism bylaws</li> </ul>

### **3.2.1 UMHLOSINGA DEVELOPMENT AGENCY (UMDA)**

See attached Annual Report

### **3.2.2 UMKHANYAKUDE DISTRICT DEVELOPMENT & PLANNING COMMISSION (DDPC)**

#### **Commission Mandate**

The Umkhanyakude Family of Municipalities agreed in 2012 to establish this structure as a multipurpose vehicle to spearhead the direction of economic growth in the District. This was after a thorough assessment of the complexity of developmental challenges confronting the sub-region. This need was then highlighted as a priority leading to the establishment of the Commission the following year. Of primary importance to the functioning of the District Commission was the development of the District Growth and Development Plan, which was in progress during the 2013/2014 fiscal year. The establishment of this structure was the first of its kind in the Province of KwaZulu Natal!

#### **Functionality of the Commission**

During the year under review, the Planning and Economic Development Department, after its designation as the Secretariat of the Commission, facilitated the appointment of its 'interim Chairperson' to ensure that it starts to conduct its responsibilities. This milestone was achieved during the Growth and Development Summit which was held at Tiger Lodge, Jozini on the 3-4th November 2013.

The District Planning Commission, backed by an operational budget of R500,000 provided for in the financial year, commenced holding meetings to gear itself for driving the implementation of the District Growth and Development Plan, which was being compiled with the funding provided by COGTA.

The Commission developed and adopted its Five Year Strategic Plan, an operational tool which would guide its activities for the next 5 years. The strategic plan was workshopped with the District Municipality to derive the necessary buy-in. Plans are underway to take the same exercise to all the local municipalities in the District.

#### **District Growth and Development Plan (DGDP)**

The District Planning Commission was a key stakeholder during the development of this strategic plan. Since its primary mandate was to ensure the implementation of this plan it was then necessary that its members are aware of contents in terms of vision, mission, goals, objectives, catalytic projects and the implementation plan. It was for this reason the Interim Commission Chairperson had to work shop the plan to various stakeholders including; the District House of Traditional Leaders, Local Municipalities, the Provincial Planning Commission and others, as part of the public engagements programme. It is envisaged that the plan would be submitted to the District Council for adoption during the early stage of the 2014/2015 financial year.

### **3.3 SECTION C: COMMUNITY SERVICES PERFORMANCE HIGHLIGHTS**

#### **3.3.1 MUNICIPAL HEALTH SERVICES**

A municipal health services is a new programme that was transferred from the department of health to the district municipality on the 1<sup>st</sup> of July 2013. According to the Municipal structures Act, 1998(Act no117 of 1998) section 84(1), Municipal health services is the responsibility of the District Municipality.

The following hereunder are the 9(nine) components that are being rendered within the District municipality viz;

- Water quality monitoring
- Waste management
- Food control
- Health surveillance of premises
- Surveillance and prevention of communicable diseases excluding immunisation
- Vector control
- Environmental pollution control
- Disposal of the dead
- Chemical safety

#### **Health and hygiene strategy**

Health and hygiene education is one of the programmes that is used to create awareness to communities with an intention of eradicating communicable diseases more especial those that are related to water and sanitation. Health and hygiene education is conducted on daily basis to different communities using a strategy that was developed with an aim of giving guidance to all health professionals and other departments who are involved in health education activities.

There is high prevalence of diarrhoeal diseases which is mostly affects children under five years. The environmental health practitioners are working hand in hand with the department of health and other departments including none governmental organisations.

There is 163 health and hygiene education conducted in 2013/2014

#### **Environmental Health Management forum**

The forum was established immediately after the transfer took place with aim of deliberating on issues affecting our environment and also to prevent it from being exploited. This forum involves different departments and other stakeholders. It seats every quarter and the attendance of these meeting was good, however, there was a poor participation by the Local Municipalities.

#### **Water quality monitoring**

Water quality monitoring is one of the programmes that is conducted on weekly basis to identify causative organisms that is found in water that is consumed by the public. The water monitoring is conducted in all water sources where communities get water for human consumption. In the instances where water was found to be none compliant, awareness campaigns are conducted to affected communities and also to give advice to the technical department within the municipality to take some remedial actions where possible. The water samples taken in 2013/ 2014 are 214, 70% of this sample results is none compliant

#### **Food control**

The Environmental health practitioners normally conducts health assessments in food premises with an aim of ensuring compliance to regulations stipulated in R962 that is framed under national health (Act 63 of 2003). This is done on weekly basis and if food is found to be unsound is confiscated and condemned at the dump

sides recommended by Environmental health practitioner.

Training on food safety protocol to formal and informal traders became a priority within the district municipality. This is done to prevent foodborne illnesses and outbreaks that might occur. The trainings have been conducted in most local municipalities; however, not all food handlers were reached but planned to continue in the next financial year 2014/2015.

This was done successfully, since some have improved their food preparation areas and were issued with the certificates of acceptability. This indicated that they can start big businesses and they can provide catering at big events.

In terms of the law, no one should handle or sell food to the public without proper certificate of acceptability that is obtained at this municipality (community services).

### **Waste Management**

Waste is a major problem in all local municipalities and no municipality is complying to waste management act. This is putting a risk to people residing to this municipality of contracting a plague disease that is transmitted to humans by certain rats. People who are at risks are those next to border line since there is no monitoring from our neighbouring countries. Trapped rats for sampling in the previous years revealed that none have been found to be positive on the said disease.

The environmental health practitioners are continuing to create awareness to the communities by organising awareness campaigns to different communities within the district municipalities.

### **Challenges**

- Shortage of staff as the Municipality operating with only eight(8) environmental health practitioners, according to the national norm there is a shortage 53 Environmental health practitioners
- Shortage of vehicles in the district municipality, this is affecting service delivery negatively

## **3.3.2 DISASTER MANAGEMENT**

### **Status of uMkhanyakude Disaster Management Centre**

UMkhanyakude District Municipality has a functional District Disaster Management Centre (DDMC) which is established in terms of Disaster Management Act No. 57 of 2002. The various institutional measures have been established to ensure compliance with disaster management legislation and policies.

The District Disaster Management Centre is at its completion phase, with the snag being the installation of electricity. A letter of application has been sent to Eskom for the second time due to the lapsed time of the first application. Furthermore there has been advertisement of vacancies for four Disaster Management Officers to be employed by the District.

### **Status of IGR Structures**

#### **Municipal Disaster Management Inter-Departmental Committee**

The district has a Safety, Security and Amenities Portfolio Committee, which is an internal portfolio committee that deals with matters relating to Disasters and Disaster Risk Management in the district.

#### **District Disaster Risk Management Practitioners Meeting**

The District Disaster Risk Management Practitioners forum has been established and comprises of all five (5) Local Municipalities at UMkhanyakude District. The main objective of having practitioners meetings, which is held every three months, whilst it is also held when deemed necessary. The Practitioners Meeting is used as a

platform to share challenges and best practices/experiences, including common challenges, whilst ensuring that there is a uniform and integrated approach on disaster management as envisaged by disaster management legislation and policy framework. The Disaster Management Practitioners meeting last sat on the 6<sup>th</sup> of June 2014.

**District Disaster Management Advisory Forum (DDMAF)**

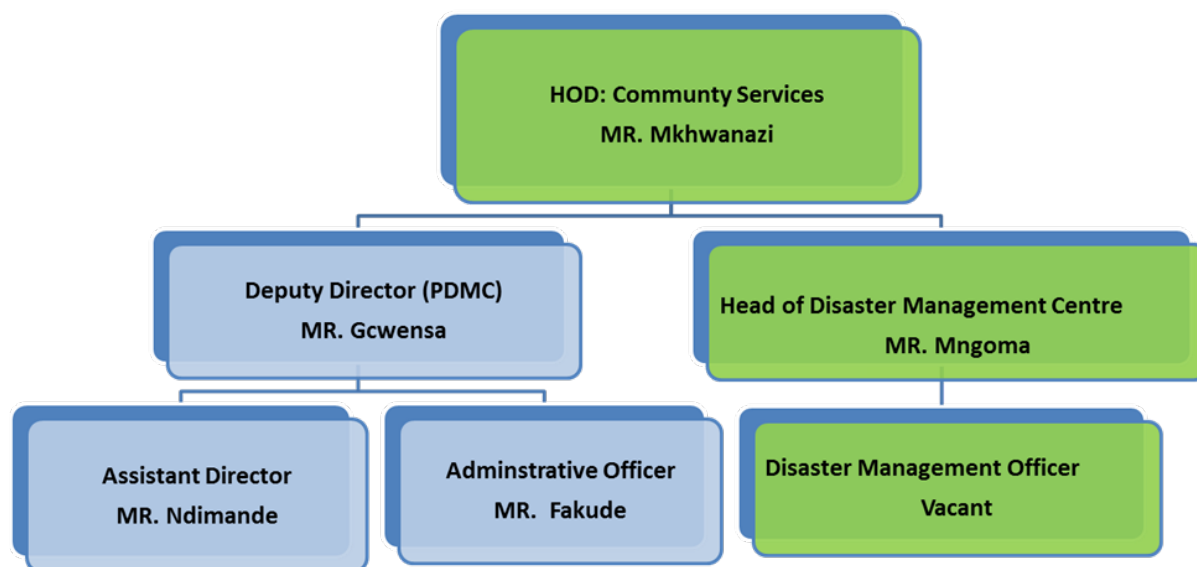
The District DMAF is a fundamental disaster management IGR structure that gives platform for interaction of all relevant role-players and stakeholders responsible for disaster risk management and without it the functionality of disaster management is a challenge. The District Disaster Management Advisory Forum is functional, with a reasonable attendance by relevant stakeholders; however there is still an absence of a large number of stakeholders who could contribute significantly

**Status of Disaster Management Capacity at UMkhanyakude District**

UMkhanyakude District Municipality has a functional District Disaster Management Centre, with the Head of the Centre already appointed, Mr. SE Mngoma. The Provincial Disaster Management Centre (PDMC) supports the District through the deployment of three Disaster Management personnel to support the District. The deployment has proven to be very successful, with various milestones being achieved, particularly those of mainstreaming disaster management through awareness campaigns. Furthermore the PDMC offers support with regards to financial resources such as grant funding and assistance with disaster relief material.

The current organisational structure which includes the PDMC support staff is as follows;

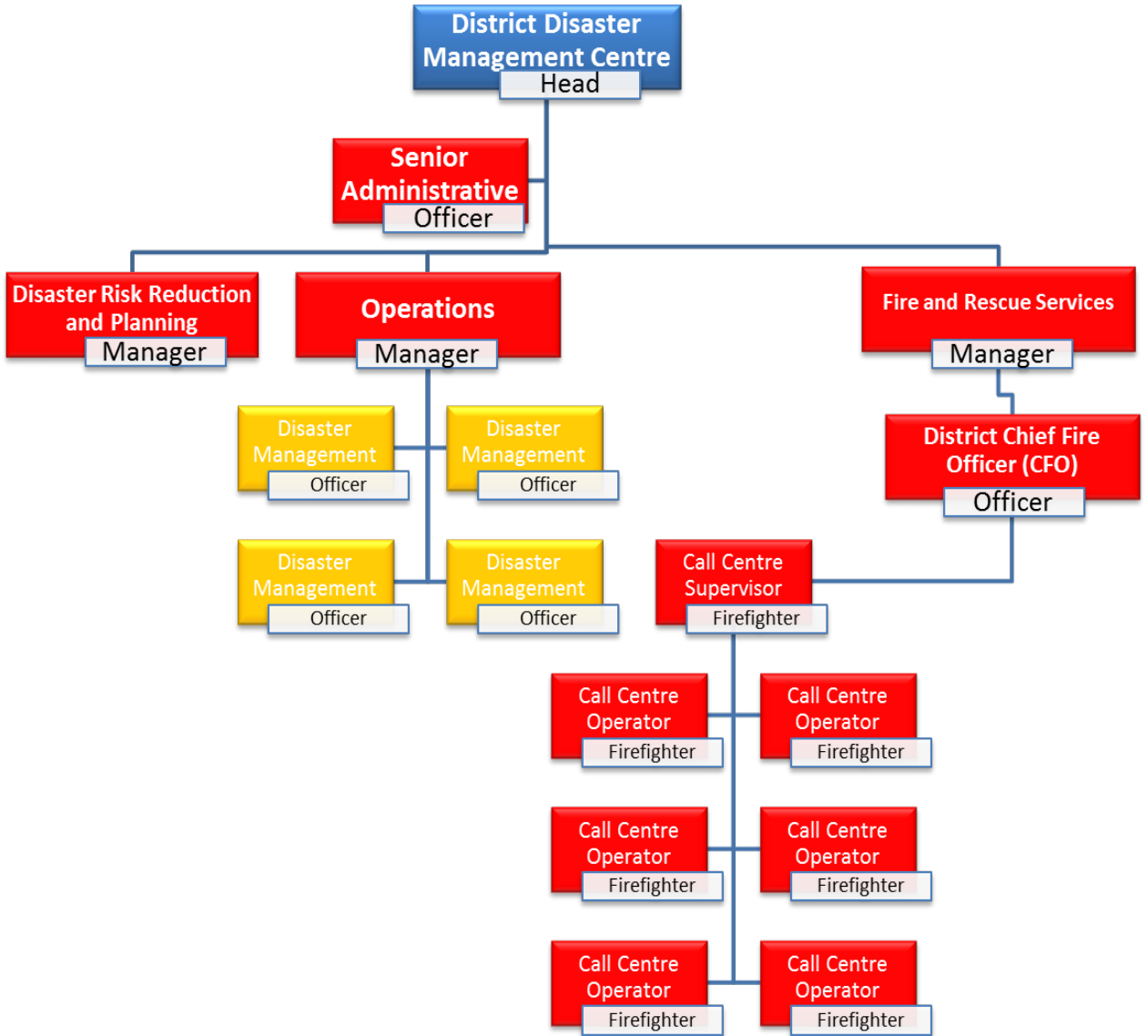
**Figure 1:** Current District Disaster Management Organogram



The proposed Organisational structure is as follows:

**Figure 2: Proposed District Disaster Management Organogram**

Advertised	
Filled	
Vacant	



**Status of UMkhanyakude District Disaster Management Plans / Framework**

**Disaster Management Framework**

As required by Section 53 of the Disaster Management Act No.57 of 2002, UMkhanyakude District Disaster Risk Management Policy Framework was developed in 2010 and in line with the requirements of the National Disaster Risk Management Policy Framework of 2005. A new draft has been compiled and is currently being circulated for comments. This draft comprises of updated and current issues faced by uMkhanyakude District

## **Disaster Management Centre**

### **Disaster Management Plan**

As required by Section 53 of the Disaster Management Act No.57 of 2002, the District Disaster Risk Management Plan was developed in 2010, it is also important to note that hazards and disaster risks are dynamic and this calls for various methods to be used in ensuring that an accurate risk for the district is developed. Following the recent District Disaster's Ward Risk Assessment, there is a great necessity to review the disaster Management Plan, new and vital information has been captured regarding potential risks and hazards. Furthermore the inclusion of various stakeholders are required, these stakeholders include ESKOM, Sector Departments and Farmers.

On-going capturing and recording of incidents or disaster data is one of the methods that have been employed to ensure that the spatial location of prevailing hazards and risks are well known, particularly at a ward level. Through various awareness campaigns and engagement with the community at large, certain information is gathered, such as indigenous knowledge and the like relating to frequent hazards and areas of concern. Indigenous knowledge plays a vital role in informing the district with potential hazards, particularly because the uMkhanyakude consists mostly of the rural area.

### **Status of readiness to deal with disasters**

All incidents are attended to as and when they get reported, whilst rapid and effective response is done in a multi-disciplinary manner in partnership with other disaster management role-players. In its role of disaster management co-ordination, the district responds to incidents in supporting the five local municipalities at uMkhanyakude District i.e.UMhlabuyalingana, Jozini, Big 5 False Bay, Hlabisa and Mtubatuba Local Municipalities. All applicable contingency plans (unique to particular hazards) get implemented as and when there is a need, with all role-players acutely aware of their roles and responsibilities.

### **Status and results of Disaster Risk Assessments undertaken**

#### **List of Priority Risks (Hazards)**

uMkhanyakude District Municipality is prone to a number of natural and man-made hazards. The vulnerability differs, by either socio-economic status or the exposure of a particular household or community to a specific hazard.

Every Month the District compiles an incident report of all the local municipalities, the District is however challenged with the quality and lack of cooperation, thus pondering the accuracy of the results. The first quarter consisted of mostly of winter season related incidents; however there were summer-related incidents during the first month of the quarter. The table below indicates the most prominent hazards which are in turn the major cause of disasters.



Table 1: Priority Hazards identified at UMkhanyakude District

LEVEL	Hazards	Location
UMkhanyakude District	<ul style="list-style-type: none"> <li>• Households fire</li> <li>• Bush fires</li> <li>• Extreme hot temperatures</li> <li>• Strong winds</li> <li>• Lightning</li> <li>• Human Disease</li> <li>• Animal Disease</li> <li>• Plants Disease (intruder)</li> <li>• Crime</li> <li>• Road Incidents</li> <li>• Drought</li> <li>• Floods</li> <li>• Infrastructure failure</li> <li>• Air pollution</li> <li>• Water pollution</li> <li>• MVA ( mostly in <b>N2</b>)</li> </ul>	<p>In all local municipalities</p> <p>In all local municipalities</p>

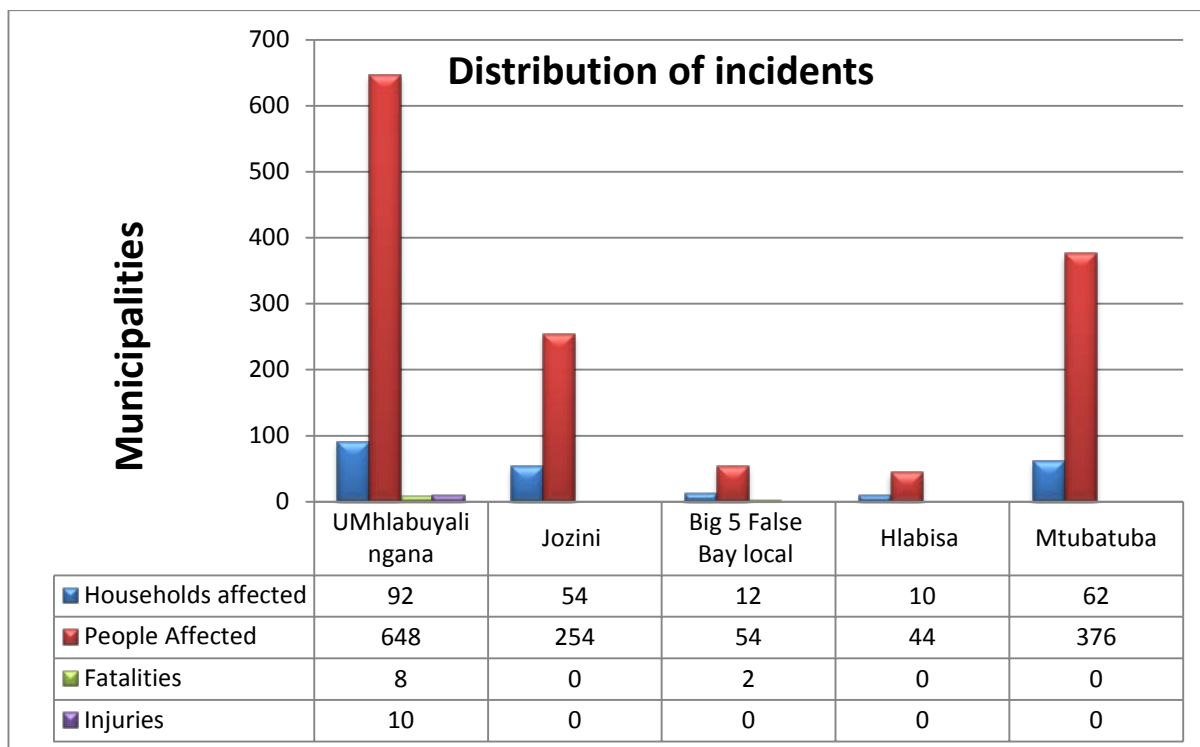
### Incidents during 01 July 2013-30 June 2014

As shown on table 2, from July 2013 to June 2014 period, uMkhanyakude District experienced a total number of 339 incidents. uMhlabuyalingana (88); Jozini (74), The Big 5 False Bay (35); Hlabisa (46) and Mtubatuba (96). It is worth noting that fire incidents accounted for a high number of incidents that occurred in the district followed by strong winds and lightning, respectively.

MUNICIPALITIES	Fires	Drowning	Strong winds	Lightning	TOTAL
uMhlabuyalingana	42	2	32	12	<b>88</b>
Jozini	35	3	36	0	<b>74</b>
The Big 5 False Bay	34	0	0	1	<b>35</b>
Hlabisa	45	0	0	1	<b>46</b>
Mtubatuba	77	0	19	0	<b>96</b>
<b>TOTAL: uMkhanyakude</b>	<b>187</b>	<b>5</b>	<b>87</b>	<b>15</b>	<b>339</b>

	Households affected	People Affected	Fatalities	Injuries
uMhlabuyalingana	92	648	8	10
Jozini	54	254	0	0
Big 5 False Bay local	12	54	2	0
Hlabisa	10	44	0	0
Mtubatuba	62	376	0	0
<b>uMkhanyakude</b>	<b>230</b>	<b>1376</b>	<b>10</b>	<b>10</b>

In respect of the impact experienced, 230 households and 1376 people were affected. The District also experienced ten (10) fatalities and ten (10) injuries. Most of the fatalities were caused by household fires.



*Type and distribution of incidents per municipality*

Figure 1 depicts an overview of the distribution of the type of incidents that were experienced in the District, including the number of incidents at a local level. The high number of Fire related incidents can be mainly attributed human error or negligence.

The reported incidents were mostly fire related as illustrated by the pie chart below, however various other incidents contributed to the tally during the first quarter, please see diagram below; Please note that the pie chart represents the number of incidents followed by the percentage. Furthermore the veld fires have not been presented on the pie chart.

### **Capacity Building and Awareness Campaigns Conducted**

Since the beginning of the February, there have been arrangements with disaster management practitioners of local municipality for community capacity building and awareness campaign activities that must be coordinated and conducted by uMkhanyakude district. The awareness focused on lightning, when to expect lightning, what to do before and after thundering, when indoors or outdoors, what to do when driving and how to help someone stricken by lightning.

The community was also alert of bush and structural fires to protect their property and themselves, by making fire breaks and to be always safe when using candles and paraffin lamb.

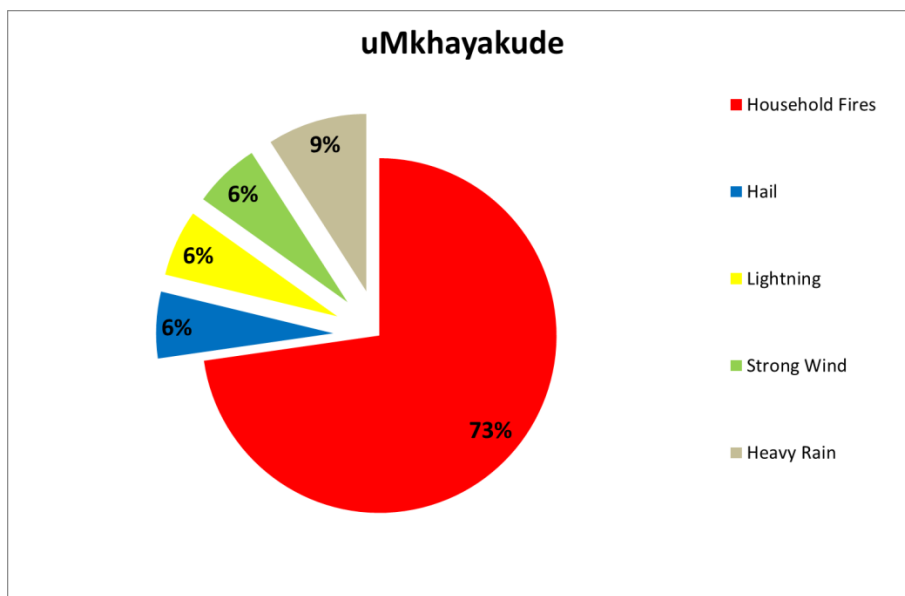
**Table 3:** Shows the details of Zitike Primary School visited the month of February 2014

MUNICIPALITY	DATE	WARD	AREA	SCHOOLVISITED
BIG 5 FALSE BAY	25/02/2014	04	Mnqobokazi	Mnqobokazi Primary School
BIG 5 FALSE BAY	25/02/2014	02	Nibela	Qomukuphila Primary School
UMTUBATUBA	18/02/2014	02	KwaMsane	Zitike Primary School



**Figure 1:** shows an awareness campaign sessions in schools visited.

**Figure 3:** Incident Pie Chart



## **Quarterly Reports per Municipality**

The local municipalities submitted inconsistent monthly reports, whilst other municipalities did not submit any reports, all municipalities were then visited to ensure consistency with submissions and address all probing issues.

### **UMhlabuyalingana Municipality**

UMhlabuyalingana Municipality cooperates well with the District Municipality, however the May monthly report was very substandard; the only form of reporting was a Beneficiary list. The report excluded pictures and a narrative reporting.

The municipality was hit by a hailstorm, fire incidents and an undescribed fire incident. The two hailstorm incidents affected four households in total. First incident occurred on the 23<sup>th</sup> of May 2014 affecting the Mabika and Cele family residing in ward five. The two families had one house each completely damaged, however there is only a need for repairing the house. The second hailstorm incident occurred on the 24<sup>th</sup> of May 2014, affecting the Mdletshe family in ward two and the Njinji Primary School in ward 15.

There were a total number of seven fire incidents during the month of May. The first incident took place on the 2<sup>nd</sup> of May in ward nine affecting the Gumede family, this resulted in their house being partially damaged and there is a need for housing. The second incident occurred on the 9<sup>th</sup> affecting the Mbuyazi family in ward two, there were two households affected and there is a need for a support from human settlements. On the 10<sup>th</sup> of May the Mlambo family in ward nine were affected by a candle lit fire which completely damaged the house, and there is a need for a new house. The 17<sup>th</sup> of May also had an incident which occurred on the ward three affecting the Mthembu family, a house is needed.

The 27<sup>th</sup> witnessed two fire incidents affecting the Gumede and Thusi family in ward six and thirteen respectively. The houses were partially damaged and there is a need to repair only. The 28<sup>th</sup> witnessed the fire incident which affected the Tembe family at Manyika ward six. The family had a house partially damaged; however there is a house required.

The unknown incident did not have a clear indication on what happened only stating that the house was affected by a "solar system"; this was a very vague report consisting of only a beneficiary list.

The municipality was affected by veld fire incidents that occurred on 26 June 2014 and affected two households. The first family was the Ntuli family in ward three within the oThungwini area; they had their house completely damaged by fire leaving the family in dire need of help. A mattress and two blankets were issued to the eight (8) members of the family.

The second family was the Mkhize family residing in ward four (4) within the Hangazi area; similarly they had their house completely damaged. A mattress and two blankets were provided as a form of relief to the nine (9) members of the family.

### **Hlabisa Local Municipality**

Hlabisa Local municipality submitted a narrative report with no beneficiary list or pictures. The incident involved three house fires affecting three families, namely the Nxumalo family at ward two, the Mthethwa family in ward five and the Ntuli family in ward eight. This was for the month of May 2014.

During the month of June, Hlabisa Local Municipality had a total number of four (4) incidents of which two (2) was household fires and the other two (2) were veld fires. These incidents occurred on the 3rd and 20th of June in ward three and six respectively.

The Buthelezi household in ward three (3) had their house completely damaged. The Buthelezi family in ward six (6) also had their house completely damaged. The municipality issued the families with relief materials such as, blankets, tents, plastic sheeting and food parcels.

The veld fires affected the Mthembu and Manyoni family residing in ward five (5) and four (4) respectively. The Mthembu family in ward five (5) had their house completely damaged; relief material was given to the family. The Manyoni family in ward four (4) had their house completely damaged by fire and, the municipality assisted the family with three (3) blankets, one (1) tent, one (1) plastic-sheeting and one (1) food parcel.

### **The Big Five False Bay Local Municipality**

The Big Five False Bay had three reported incidents that occurred during the month of May, of which were all fire related, particularly caused by neglected candles burning through the night.

On the 3<sup>rd</sup> of May 2014, the Mthethwa family residing at Kwanjiya area in ward one were affected by a house fire incident which completely damaged the house the family resides in. The municipality supported the family with a tent and blankets; there is also a need for a house. The second incidents took place on the 22<sup>nd</sup> of May, the Zikhali family at Mphakathini ward two were also affected by a neglected burning candle, and similarly one house was completely damaged. The municipality supported with a blanket and tent and there also a need for a house.

The incident on the 27<sup>th</sup> of May was caused by an electrical fire; the Mthembu family at Skwakwaneni area in ward four were affected by the fire. The support provided by the municipality was a blanket and a tent. It must be noted that the honourable Mayor Gumede visited these affected families. The images below depict the families affected

**Figure 4:** *Burnt House at Big Five False Bay*



The incidents reported during the month of June 2014 were all household fires, which affected four people. The first incident occurred on 01 June 2014 in ward two (2) within the Mphakathini area, Ms Ndabandaba had her house completely damaged, the municipality assisted with relevant relief material. On 17 June 2014, Ms Ndlovu at Nokwakho area in ward one (1) had her house partially damaged. One blanket was issued to her. The images below depict the affected houses.



**Figure 5:** *Ms.Ndabandaba (Completely damaged house)*



**Figure 6:***Ms.Ndlovu (Partially damaged house)*

On 22 June 2014, Mr Gini in ward four (4) had his house completely burnt. One blanket and a tent were issued to Mr Gini. The fourth incident involved Ms Dlamini in ward one (1) who had her house partially damaged. This incident occurred on 23 June 2014, a blanket was issued to the victim.

**Mtubatuba Local Municipality**

No report was submitted.

**Jozini Local Municipality**

No report was submitted

**Best Practices / Achievements / Successes**

- It is also important to note that the District Disaster Management Centre is under construction and is due for completion by end of 18 April 2014.
- The District turnaround time when responding to reported incidents is highly commendable. This is due to district proper coordination and integration, in partnership with all role-players and stakeholders in the district.
- In enhancing the Fire-fighting Capacity in the District, UMkhanyakude has partnered with PDMC towards the training of Fire-fighters in the local municipalities that are vulnerable to fires, Fire-fighting 1 and 2.
- There has been numerous awareness campaigns and capacity building programs that have assisted the District in mainstreaming Disaster Management to the community. These ranges from informal settlements awareness to visiting traditional councils, the table below indicates the number awareness campaigns conducted.



*UMkhanyakude District OSS War Rooms conducted.*

Municipality	Ward	Venue	Date	Time
uMhlabuyalingana	17	eNgozini Hall	16/05/14	10: 00 AM
Jozini	17	Maphindela Hall	26/05/14	10: 00 AM
The Big 5 False Bay	03	Phumlani Hall	15/05/14	10: 00 AM
Hlabisa	08	Mganwini Hall	28/05/14	Postponed
Mtubatuba	09	Multipurpose Centre	29/05/14	10: 00 AM
Jozini	19	eMabhange	24/06/14	10: 00 AM
Mtubatuba	13	oPhaphasi Hall	24/06/14	15:00 PM

*UMkhanyakude District Traditional Councils*

Municipality	Ward	Traditional Council	Venue	Date	Time
uMhlabuyalingana	8	Mashabane	Traditional Council	03/06/2014	10:00 AM
Jozini	1	KwaNyawo	Traditional Council	25/06/2014	10:00 AM

*UMkhanyakude District School Awareness Campaigns*

Municipality	Ward	School	Date	Time
uMhlabuyalingana	07	Esigedeni H School	13/05/14	10:00 AM
The Big 5 False Bay	04	Emalabela	27/05/2014	11:30 AM
Hlabisa	08	eZifundeni	05/06/2014	7:30 AM
uMhlabuyalingana	08	Justice	22/05/14	11:00 AM
The Big 5 False Bay	04	Glenpark	20/06/2014	12:00 AM

*UMkhanyakude District School Awareness Campaigns*

Municipality	Ward	Community	Venue	Date	Time
The Big 5 False Bay	3	Tin Town Informal Settlement	Tin Town	30/06/2014	11:00

**Conclusion**

The district still faces significant challenges in terms of inadequate disaster management capacity and ever increasing disaster risks. It is imperative that management take note of the concerns raised.

### **3.3.3 SPECIAL PROGRAMMES SECTION**

#### **DISABILITY AND CHILDREN PROGRAMMES**

##### **ACTIVITIES DURING 2013/2014**

1. District Disability Forum Meetings
2. Establishment of Disability Sport Federation to all local municipalities
3. Disability workshop
4. Raising disability awareness to Councillors
5. Launch for Disability Sport Federation
6. Disability Strategic Plan

##### **DISTRICT DISABILITY FORUM MEETINGS**

Four District Disability Forum meetings were conducted as per the plan in the following dates:

- 17 September 2013 held at uMkhanyakude District Offices in Mkuze
- 16 January 2014 at uMhlabuyalingana Municipality offices
- 05 March 2014 at Jozini Municipality offices
- 04 June 2014 at Big 5 False Bay Municipality

##### **ESTABLISHMENT OF DISABILITY SPORT FEDERATION TO ALL LOCAL MUNICIPALITIES**

All local municipalities were able to establish their local disability sport federation. This was possible with an assistance of Department of Sport and Recreation where they were facilitating and training the disabled persons in sport with regards of what is expected of them, and the Department of Social Development where they were organising disabled persons from their hubs or protective workshops

### **DISABILITY WORKSHOP**

This workshop was held on 04 and 05 August 2013 at Meetmekaar in Mtuba where the new District Forum was established and being trained on the Terms of Reference for the Forum.



Disability workshop delegates held at Meetmekaar

### **RAISING DISABILITY AWARENESS TO COUNCILLORS**

This workshop was conducted in 11 March 2014 at uMkhanyakude District Council Chambers where all District Councillors were trained on what is expected of them in terms of handling disabled people in their respective communities. Not all councillors were able to attend but those who were present proposed to organise another workshop where all councillors will be present and be given such important information with regards to disabled persons.

### **LAUNCH FOR DISTRICT DISABILITY SPORT FEDERATION**

Disability Sport Federation Launch was held on 28-29 May 2014 at Mkuze Nyala Lodge where the District Chairperson for Sport Federation and other Committee members were elected and trained on the terms of reference and their expectations as the Disability Sport Federation Committee

### **DISABILITY STRATEGIC PLAN WORKSHOP**

The Strategic Plan workshop was held on 9-11 June 2014 at Banghoek Lodge in Hluhluwe. Executive Committee of Local Disability Forums, Government Departments and Councillors were part of the workshop. This was aimed at planning for the 2014/2015 activities for people with disabilities.

## **OTHER ACHIEVEMENTS ON SPECIAL PROGRAMMES**

Successfully established and put into operation the following District Level Forums:

- District Gender Forum
  - District Disability Forum
  - District People Living with Disability Forum
  - District HIV and Aids Forum
  - District Arts and Culture Forum
  - District Youth Council.
- 
- Successfully established District Sports Team for SENIOR CITIZENS that participate in the annual Provincial Golden Games
  - Successfully Hosted a District-Wide Women Celebration event
  - As part of the ARTS AND CULTURE Programmes successfully supported in the following events:
  - Isicathamiya, Ingoma and Choral Music; Ceremonies supported were uMkhosi wamaganu and uMkhosi womhlanga at the King's Royal Residence eMachobeni..
  - Successfully hosted a District-wide DISABILITY AND CHILDREN Strategic Planning Workshop conducted.
  - Successfully conducted Councillors Disability Campaigns Awareness
  - Successfully Established the Disability Sports Federation in order to link the District the Province and the National relating to the Disabled Sport.
  - Successfully Compiled the Draft District-wide HIV and Aids Strategic Plan.
  - Successful Hosting of quarterly DAC meetings were able to sit quarterly to discuss the related issues.
  - Successfully convened quarterly Employees HIV and Aids wellness Programmes
  - The Civil Society as a structure has been co-opted to take active action towards the fight against HIV and Aids.
  - Succeeded to work together with Traditional Health Practitioners.
  - Successfully hosted the 2013 KZN World AIDS Day in uMkhanyakude

### 3.4 SECTION D: CORPORATE SERVICES PERFORMANCE HIGHLIGHTS

Council and Standing Committee meetings held during 2013/2014 financial year:

Council	Executive Committee	Finance	Corporate Governance	Community Services	Technical Services	Planning & ED	MPAC
14	19	03	07	04	09	04	

#### 2013/2014 PERFORMANCE HIGHLIGHTS

- Review and adoption of the organogram for 2013/2014 financial year and beyond;
- Signing of Agreements of Employment and Performance Agreements by all Section 54 and 56 Managers;
- Compilation and submission of the Workplace Skills Plan and the Training report to LGSETA;
- Development and implementation of the ICT Governance Framework and IT Policy;
- Development of the Records Management Policy, Registry Procedure Manual and revision of the Municipal File Plan;
- Conducting the staff headcount to confirm the number of employees;

#### CHALLENGES AND RECOMMENDATIONS / ACTION PLANS

CHALLENGES	RECOMMENDATIONS / ACTION PLANS
Staff turnover which threatens business continuity	<ul style="list-style-type: none"> <li>• Conducting employee exit interviews to ascertain reasons why employees are leaving the Municipality</li> <li>• Conduct Employee Satisfaction Surveys on annual basis</li> <li>• Development and implementation of Employee Retention Strategy, Succession Planning Policy and Career Management Programme (especially on critical positions).</li> <li>• Development and implementation of promotion and transfer policies.</li> </ul>
Inability to attract competent personnel on scarce skills positions	<ul style="list-style-type: none"> <li>• Development and implementation of the Scarce Skills Allowance Policy</li> <li>• Development and implementation of Succession Planning and Retention Policy</li> <li>• Outcome-based training and development initiatives</li> </ul>
Adherence to Municipal Policies and Procedures	<ul style="list-style-type: none"> <li>• Annual reviews of human resources policies to ensure adherence to legislation</li> <li>• Development and implementation of Employee Induction Manual</li> <li>• Work shopping employees on all approved policies on quarterly basis</li> <li>• Consistency in the maintenance of employee discipline</li> </ul>
Training is not coordinated as a strategic link to the broader vision of the Municipality  Insufficient funding for capacity building initiatives	<ul style="list-style-type: none"> <li>• The Municipality is in the process of conducting a comprehensive skills audit for all staff members and Councilors</li> <li>• Development of the Human Resources Development Strategy has been prioritized in the 2014/2015 financial year.</li> <li>• Create an ongoing supply of well trained, broadly experienced and well-motivated employees who are ready to step into key positions as and when required.</li> <li>• Establishment of the Training and Development Committee</li> <li>• Engage LGSETA for funding especially on identified skills priorities within the local government sector</li> </ul>
Capacity of the Human Resources Unit in that it is only	<ul style="list-style-type: none"> <li>• Human Resources to nurture requisite human capital that would deliver the vision of the Municipality.</li> </ul>

CHALLENGES	RECOMMENDATIONS / ACTION PLANS
concerned with transactional matters at the expense of strategic HR issues	<ul style="list-style-type: none"> <li>• Development of human resources policies and procedures that reflects ideals of a transforming institution</li> <li>• Revision of existing HR policies and develop new policies and strategies which seek to attract competent staff, retain and develop their careers and cultivate their talent.</li> <li>• Capacitating the current human resources practitioners with requisite HR skills.</li> <li>• Revision of the organizational structure to accommodate a new HR structure</li> <li>• Capacitating senior managers and supervisors to understand their roles and responsibilities in managing employees reporting to them so as to alleviate the burden on HR employees.</li> </ul>
No Employment Equity Plan against which employees at different occupational levels were appointed	<ul style="list-style-type: none"> <li>• Appointment of the Employment Equity Consultative Forum</li> <li>• Development and implementation of the EE Plan</li> </ul>
Understanding of employee roles and responsibilities	<ul style="list-style-type: none"> <li>• The Municipality is in the process of developing job descriptions and employees have completed the job analysis questionnaires</li> <li>• Clarification of roles and responsibilities and delegation of authority to all staff members.</li> <li>• Cascading performance management system and employee recognition up to supervisory positions.</li> </ul>
Disparities in employee salaries and allowances	<ul style="list-style-type: none"> <li>• Implementation of TASK job evaluation</li> </ul>
Management is not leading by example which contributes to low staff morale	<ul style="list-style-type: none"> <li>• Management to communicate with employees more often</li> <li>• Management to set goals that will serve as a blueprint to be translated into action plans that will lead to ultimate success</li> <li>• Managers to be able to discipline employees reporting to them.</li> </ul>
Poor records management	<ul style="list-style-type: none"> <li>• Implementation of Records Management Policy, Registry Procedure Manual and Municipal File Plan.</li> <li>• Centralization of the Municipal Registry.</li> <li>• Creating awareness on the importance of managing records to ensure business continuity and preservation of institutional memory.</li> <li>• Appointment of a dedicated Records Manager</li> </ul>
Municipal electronic records are not well maintained and are likely to be lost in the event of natural or man-made disaster incidents	<ul style="list-style-type: none"> <li>• Construction of the IT Disaster Recovery Site in line with the Business Continuity Plan that has been adopted by Council.</li> <li>• Creating awareness on the importance of managing electronic records to ensure business continuity and preservation of institutional memory.</li> </ul>

### 3.5 SECTION E: FINANCIAL SERVICES PERFORMANCE HIGHLIGHTS

Achievements During 2013/2014 Financial Year

The following is the summarized version of the achievements during the year under review:

- The development and implementation of the Financial Management / Operation Clean Audit Strategy;
- Development and implementation of Revenue Collection Strategy;
- The development and review of the financial management policies such as:
  - Asset Management Policy;
  - Supply Chain Management Policy;
  - Expenditure Management, Financial Reporting and Payments Management Policy;
  - Tariffs policy;
  - Budget policy;
  - Credit Control and debts Management policy;
  - Enterprise Risk Management policy and framework; etc.
- Development and implementation of the following financial management tools or checklists to detect internal financial controls deficiencies:
  - Electronic Financial Management and Monthly Reconciliation;
  - Statutory Returns e.g. MFMA Returns, VAT returns, Payroll Returns etc;
  - Compliance with Laws and Regulations Monitoring and Evaluation;
  - Annual Financial Statement (AFS) preparation template;
  - Prevention of unauthorized, irregular and fruitless and wasteful checklist to update registers thereof etc;
- Financial Management manual for non-financial managers;
- Timely submission of 2013/2014 Annual Financial Statements;
- Development and Implementation of 2012/2013 Audit Action Plan and monitoring thereof;
- Development of Internal Audit Charter and Audit Committee Charter;
- Upgrading of financial system to improve financial processes (i.e. from Abacus to Pastel Evolution);
- Submission of all section 71 reports;
- GRAP Compliant Asset Register;
- Introduction of Electronic Funds Transfer (EFT) to improve the payments to service providers;
- Improving the liquidity status of the municipality by introducing the Costs Cutting Measures etc;
- Organized GRAP Training and Bids Committees Training from Provincial Treasury; etc.

## B: CHALLENGES AND THE PROPOSED CORRECTIVE MEASURES

The following refers to the summarized challenges that are still prevailing in the Financial Management processes within the municipality which are being attended to during 2014/2015 financial year:

NO.	CHALLENGES	CORRECTIVE MEASURES / INTERVENTIONS
1.	Lack of Financial Skills within Finance Department.	Enrolled all Finance Officials to Municipal Finance Management Programme (MFMP) to improve their financial skills.  Enrolled finance officials to GRAP Training and AFS Preparation training etc;
2.	Non-compliance with SCM processes	Requested support from Provincial Treasury to assist the municipality in preparing SCM turnaround;  Development and implementation of Municipal Procurement Plan;  Identification of customers in the service of the state prior to tender award;
3.	Low rate of collections, issuing of accurate and timely bills statements and cleanliness of customer data.	Installation of water meters by Technical Services Department;  Conducting a meter audit;  Cleanliness of Customers' Data;  Upgrading of Billing System to ensure timely and accurate bills statements.  Appointment of Revenue Manager.
4.	Prevailing of perceived Fraud and Corruption	Development and implementation of Fraud Prevention Plan and Strategy.
5.	Financial Documents Management	Continuous Scanning of Financial Documents;  Dedicating an official to serve as Financial Documents Management Officer.
6.	Non-Compliance with MFMA (i.e. including paying of service providers not within 30 days)	Enforcement of the implementation of Compliance with Laws and Regulations Checklist; Capacitating the Creditors Section to management payments properly; Request Internal Audit to audit compliance with laws and regulations to identify deficiencies timely.
7.	Budget Management and Control (i.e. Preparation and Implementation)	Development of systems for budget management and control; Development and compliance with Budget Process Plan including establishment of Budget Steering Committee.



### **3.6 SECTION F: OFFICE OF THE MUNICIPAL MANAGER PERFORMANCE HIGHLIGHTS**

#### **INTEGOVERNMENTAL RELATIONS (IGR)**

##### **CORE FUNCTIONS & SERVICES**

The Intergovernmental Relations Framework Act, 13 of 2005 seeks to establish a framework for the national government, provincial governments and local governments to promote and facilitate intergovernmental relations. Section 24 of the Intergovernmental Relations Framework Act deals specifically with the establishment of district intergovernmental forums. To initiate the establishment of district intergovernmental forums in the Province, the Premier officially launched the Premier's Co-ordinating Forum (PCF) in April 2005 at the KwaZulu-Natal Local Government Summit.

The role of district intergovernmental forum is to serve as a consultative forum for district municipality and the local municipalities in the district to discuss and consult each other on matters of mutual interest, including-

- draft national and provincial policy and legislation relating to matters affecting local government interest in the district;
- the implementation of national and provincial policy and legislation with respect to such matters in the district;
- matters arising in the Premier's intergovernmental forum affecting the district;
- mutual support in terms of section 88 of the Local Government: Municipal Structure Act, 1998 ( Act No 117 of 1998)
- the provision of services in the district;
- coherent planning and development in the district;
- the co-ordination and alignment of the strategic and performance plans and priorities, objectives and strategies of the municipalities in the district; and
- any other matter of strategic importance which effect the interest of the municipalities in the district

##### **THE 2013/2014 IGR PERFORMANCE HIGHLIGHTS / ACHIEVEMENTS IN TERMS OF SDIBIP**

- The Municipal Managers Forum ( Technical Forum) is meeting regularly
- Mayors and Municipal Managers ( Technical Forum) are meeting but the forum needs to be strengthened
- Sub Committee Forums are meeting but they still need to be strengthened
- All Speakers and their Secretaries were trained during (Month) 12&13 September and they were all awarded with NQ3 SETA accredited certificates.
- Training for all the Mayors and their Personal Assistants was held during the (Month) 07th & 08th November 2013 to strengthen Mayors forum.
- Intergovernmental Steering Committee Meetings are coordinated monthly by Department of Cooperative Governance and Traditional affairs for monitoring implementation of IGR within District Municipality. The Steering Committee also render capacitation programme.
- SALGA also host IGR Practitioners Forum Meetings the meeting serves as platform to discuss policies that needs to be implemented by Municipalities.

**KEY CHALLENGES & RECOMMENDATIONS:**

<b>CHALLENGES</b>	<b>RECOMMENDATIONS / ACTION PLANS</b>
IGR dedicated Personnel within the District Municipality	The District Municipality to fill in the post of IGR personnel
Chorum for the Mayors Forum	Provincial intervention and monitoring, accountability of all the Mayors that don't attend to the invitations
Budget allocation for IGR activities	The budget for IGR to be priorities for only IGR activities
Stakeholder and Business Engagement Strategy to deal with: <ul style="list-style-type: none"> <li>- How the municipality builds and strengthens community and business relationships</li> <li>- How the municipality strives to align its interests with those of its communities</li> <li>- A case study of successful community and business engagement</li> </ul>	Coordination of workshop that will focus to establish business and community engagement mainly focusing on: <ul style="list-style-type: none"> <li>- Strengthening relationships with key community and stakeholder groups</li> <li>- Implementing effective community programmes and partnerships</li> <li>- Leveraging social media and online communities to expand reach and enhance impact</li> <li>- Measuring the value of stakeholder communication and community engagement</li> <li>- Twin Pillars of Stakeholder Management</li> <li>- Mechanisms for Engaging Communities</li> <li>- The importance of Effective Stakeholder Communication and Community Engagement in driving Business Performance and Project Outcomes</li> <li>- Engaging Stakeholders and Communities through innovative new channels</li> </ul>

### **3.7 SECTION G: SERVICE DELIVERY TARGETS AND PRIORITIES FOR 2014/2015**

The District Municipality uses a Performance management System to measure progress made in the achievement of set objectives. A Municipality's Performance Management System (PMS) is the primary mechanism to monitor, review, and improve the implementation of its IDP and to gauge the progress made in achieving the objectives set out in the IDP. Furthermore, a municipality's PMS also facilitates increased accountability, learning, improvement, provide early warning signals and facilitate decision- making.

The District Municipality has chosen the Key Performance model of the PMS. In the said model all indicators are grouped together under the national key performance areas as per the Systems Act and the local key performance areas as per the Umkhanyakude District Municipality's IDP. The said Model therefore enables the District Municipality to assess its performance based on the national and its own local key performance areas.

The following KPAs inform the OPMS of the Municipality:

- Municipal Transformation and Institutional Development
- Service Delivery and Infrastructure Investment
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Community Participation
- Cross Cutting Interventions

#### **Priorities for 2014/2015**

The following are the Nine (9) key priority areas of uMkhanyakude District Municipality for 2014/2015:

1. Water
2. Sanitation/Sewerage;
3. Environmental Health;
4. Economics, Social or Community and Skills Development
5. Poverty eradication and Food Security;
6. Revenue enhancement;
7. Spatial planning and development;
8. Communication and Information Technology (IT); and
9. Good Governance and Clean Administration.

The detail performance progress made during 2013/2014 financial year is contained in Annexure A of this report: (Organizational Performance report 2013/2014)

The following information reflects on performance targets for 2014/2015 financial year:

## KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

OBJECTIVE	STRATEGY	TARGET
To provide effective and efficient Human Resources Management Services aimed at achieving a skilled workforce that is responsive to Service delivery and change	Develop the Human Resources Development Strategy	Council adopted reviewed HR strategy by 31 March 2015
	Implementation of Workplace Skills Plan	100% of the budget spent by 30 June 2015
	Submission of Employment Equity report	EE Equity report submitted to the Dept of Labour by 31 October 2014
	Employ people from designated group in the three highest levels of management	4 people by 30 June 2015
	Review and align organogram to the IDP	Council adopted organogram by 31 March 2015
To ensure effective communication	Development and implementation of communication strategy	Council adopted Communication Strategy by 31 Dec 2014
To ensure effective registry system	Submission of quarterly reports to the ExCo for adoption	4 reports submitted to the ExCo by 30 June 2015
To ensure safety and improvements of municipal buildings	Submission of progress reports to the ExCo	4 reports submitted to the ExCo by 30 June 2015
To ensure functional Performance Management System	Implementation of a Performance Management System (2015/2016)	The PMS adopted by 31 May 2015
		4 quarterly performance reviews conducted by 30 June 2015
To ensure effective & credible integrated development planning (IDP)	Reviewing the Integrated Development Plan (2015/2016)	Council reviewed and adopted 2015/2016 IDP by 31 May 2015
To ensure effective stakeholder participation through Corporate Services Forum engagements	Submission of quarterly reports to the Municipal Managers' Forum	4 reports submitted by 30 June 2015

## KPA 2: SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

OBJECTIVE	STRATEGY	TARGET
<b>To improve access to quality, affordable and reliable basic services</b>	Monitoring of water services backlogs	Council Reviewed and approved WSDP by 01 Dec 2014
	Monitoring of energy services backlogs	Council Reviewed and approved ESDP by 01 Dec 2014
	Planning for Free Basic Services	Council adopted Indigent register by 01 Dec 2014
	Monitoring water and waste water quality	80% achieved quarterly 70% achieved quarterly
<b>Operations of water and sanitation schemes</b>	Development of infrastructure maintenance plan	Council approved infrastructure maintenance plan by 30 Sep 2014
	Implementation of infrastructure maintenance plan	3 quarterly reports submitted to the ExCo starting from 31 Dec 2014
<b>To eradicate infrastructure backlogs</b>	Implement Municipal Water Infrastructure Grant (MWIG)	1000 households benefitted by 30 June 2015
	Implement Accelerated Community Infrastructure Programme (ACIP)	500 households benefitted by 30 June 2015
	Implement Regional Bulk Infrastructure Programme (RBIG)	3500 households benefitted by 30 June 2015
	implementation of Massification Infrastructure Programme	700 households benefitted by 30 June 2015
<b>To eradicate infrastructure backlogs...</b>	Implementation of National Transfer Infrastructure Programme	500 households benefitted by 30 June 2015
<b>Provision of reliable, cost effective, efficient and sustainable basic municipal services</b>	Installation of new water connections to households	2000 households (10% of HHs - service delivery backlog: Census 2011) connected by 30 June 2015
	Installation of new sanitation connections to households	1500 households (11% of HHs - service delivery backlog: Census 2011) connected by 30 June 2015)
	Installation of new electricity connections to households	1000 households connected by 30 June 2015 (10% of backlog)
<b>Provision of reliable, cost effective, efficient and sustainable free basic services</b>	Provision of free basic water	(3000 households that would benefit from stand pipes provided free basic water by 30 June 2015: 10% of backlog)
	Provision of free basic sanitation	(1400 households that would benefit from VIP toilets provided free basic sanitation by 30 June 2015: 10% of backlog)
	Provision of free basic electricity	2200 households (11% of HHs - service delivery backlog: Census 2011) installed with basic electricity by 30 June 2014
<b>To ensure stakeholder participation through Technical Services Forum engagements</b>	Submission of quarterly reports to the Municipal Managers' Forum	4 reports submitted by 30 June 2015

**KPA 2: SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT...**

<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>TARGET</b>
<b>To eradicate infrastructure backlogs...</b>	Implementation of National Transfer Infrastructure Programme	500 households benefitted by 30 June 2015
<b>Provision of reliable, cost effective, efficient and sustainable basic municipal services</b>	Installation of new water connections to households	2000 households (10% of HHs - service delivery backlog: Census 2011) connected by 30 June 2015
	Installation of new sanitation connections to households	1500 households (11% of HHs - service delivery backlog: Census 2011) connected by 30 June 2015)
	Installation of new electricity connections to households	1000 households connected by 30 June 2015 (10% of backlog)
<b>Provision of reliable, cost effective, efficient and sustainable free basic services</b>	Provision of free basic water	(3000 households that would benefit from stand pipes provided free basic water by 30 June 2015: 10% of backlog)
	Provision of free basic sanitation	(1400 households that would benefit from VIP toilets provided free basic sanitation by 30 June 2015: 10% of backlog)
	Provision of free basic electricity	2200 households (11% of HHs - service delivery backlog: Census 2011) installed with basic electricity by 30 June 2014
<b>To ensure stakeholder participation through Technical Services Forum engagements</b>	Submission of quarterly reports to the Municipal Managers' Forum	4 reports submitted by 30 June 2015

### KPA 3: LOCAL ECONOMIC DEVELOPMENT

<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>TARGET</b>
<b>Provide and maintain economic and social infrastructure to ensure economic growth and development</b>	Development of a Local Economic Development Strategy	LED Strategy developed and adopted by the Council by 30 June 2015
	Commencement of construction for the airport	4 reports submitted by 30 June 2015
	Approved Hydro-electric Scheme designs	4 reports submitted by 30 June 2015
<b>To implement the Schools Nutrition Programme in the District</b>	Facilitation of Schools Nutrition Programme in the District by UMDA	4 reports submitted by 30 June 2015
<b>Create an enabling environment to attract investment that generates economic growth and job creation</b>	Job creation through LED projects	500 Jobs created by June 2015
	Job creation through EPWP projects	500 Jobs created by June 2015
	Job creation through CWP projects	150 Jobs created by June 2015
	Job creation through Capital projects	1500 Jobs created by June 2015
<b>To ensure economic, community and skills development within the District to ensure inclusive growth and development</b>	Unlock all economic sectors within the District with potential for development	10 projects implemented (tourism and agriculture per municipality) by 30 June 2015
<b>To ensure effective Local Economic Development by uMhlozinga Development Agency</b>	Regular reporting to the PED Portfolio Committee	4 reports submitted by 30 June 2015
<b>To ensure effective stakeholder participation through LED Forum engagements</b>	Submission of quarterly reports to the Municipal Managers' Forum	4 reports submitted by 30 June 2015

#### KPA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

OBJECTIVE	STRATEGY	TARGET
<b>Improved revenue and cash management capability</b>	Efficient and effective cash flow management	Maintain cash coverage ratio of at least 3 months at less than 0.5 throughout 2014/2015 FY
	Efficient and effective debt management	More than 1 Debt coverage Ratio maintained throughout the 2014/2015 FY
<b>To ensure efficient expenditure Management</b>	Effective and efficient implementation of Capital Budget	100% of funded MIG projects committed by 30 June 2014/2015
	Efficient management of Cost Coverage Ratio	More than 1 Cost Coverage Ratio maintained throughout the 2014/2015 FY
	Effective and efficient Salaries Management	Salaries & Wages to be less than 35% of Operating Budget throughout the 2014/2015 FY
<b>Sound Financial Planning and reporting</b>	Preparation of budget in line with the IDP	Council approved Annual Budget by 31 May 2015
	S71 Reporting	12 Monthly financial reports (S71) adopted by the ExCo and Quarterly to Council by 30 June 2015
	Preparation of Section 72 report (i.e. The Financial Performance only)	Council approved Mid-term/mid-year budget by 25 January 2015
	Preparation and compilation of Annual Financial Statement in terms of section 122 of MFMA	Prepare and submit AFS to AG by 31 Aug 2015 and Consolidated AFS to AG by the 30 Sept 2014
	Fair presentation of 2013/2014 AFS	AG opinion equal to or greater than "unqualified opinion" on financial viability and management matters by the 31 December 2014
<b>Effective and transparent Supply Chain Management</b>	Ensuring compliance with SCM policies and procedures (i.e. Prevention of Irregular Expenditure)	12 Reports submitted to Exco and 4 reports to Council
<b>Effective assets, investments and liabilities management</b>	Preparation of 2014/2015 GRAP compliant Assets Register	Final 2014/2015 GRAP compliant Assets Register Submitted to AG with AFS by 31 Aug 2015
	Management of investments and external loans	12 reports for investments and external loans register submitted to ExCo and quarterly to Council by 30 June 2015
<b>To ensure effective stakeholder participation through CFOs' Forum engagements</b>	Coordination Sitting of District CFO's Forum	At least 4 CFO's Forum meeting held by 30 June 2015



**KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>TARGET</b>
To ensure adherence to Chapter 4 of the Municipal Systems Act no 32 of 2000 as amended	Implementation of IDP and Budget Consultative Programme	5 (one per local municipality) IDP/Budget Consultative Programmes by 30 June 2015
	Implementation of Public Participation Programmes	5 (one per local municipality) IDP/Budget izimbizo programmes implemented by the 30 June 2015
To ensure improved Municipal accountability	Audit plan developed	Audit plan adopted by 31 Jan 2015
	Functional MPAC Committee	6 meetings held by 30 June 2015
	Functional Audit committee	4 quarterly reports submitted to the ExCo by 30 June 2015
To Improve the livelihoods of the poor, vulnerable groups and support initiatives to reduce vulnerability of infectious diseases	Implementation of HIV/ADIS Programmes	4 programmes implemented by 30 June 2015
	Implementation of Disability programmes	4 programmes implemented by 30 June 2015
	Implementation of Gender, Women, Children and Senior Citizens programmes	4 programmes implemented by 30 June 2015
To promote youth development programmes	Implementation of youth development programmes	4 programmes implemented by 30 June 2015
To promote sports and recreation	Implementation of sports and recreation programmes	4 programmes implemented by 30 June 2015
To ensure effective stakeholder participation through Community Services Forum engagements	Submission of quarterly reports to the Municipal Managers Forum	4 reports submitted by 30 June 2015

## KPA 6: CROSS CUTTING INTERVENTIONS

OBJECTIVE	STRATEGY	TARGET
<b>To ensure Effective &amp; efficient municipal spatial planning &amp; land use management systems in the District</b>	Reviewing & Adopting the District-Wide spatial development framework (SDF)	Council reviewed and adopted 2015/2016 SDF by 30 June 2015
	Coordination of implementation of Land Use Management Systems (LUMS) in the DM	4 Quarterly LUMS Progress Reports Submitted to EXCO
	Coordination of Formalization of four Rural Towns Programme	4 Quarterly Formalization Progress Reports Submitted to EXCO
	Coordination of implementation of the KZN PDA & SPLUMA in the DM	4 PDA Register Reports submitted to ExCo by 30 June 2015
<b>To ensure effective and efficient GIS in the District</b>	Coordination of implementation of GIS in the District	4 Quarterly reports submitted to the ExCo by 30 June 2015
<b>To Facilitate Long term growth and development planning in the District</b>	Effective support of the District Development & Planning Commission's (DDPC) functioning	4 Quarterly Functionality Reports Submitted to EXCO by 30 June 2015
	Monitoring the implementation of the District Growth & Development Plan (DGDP)	4 Quarterly progress report submitted to EXCO by 30 June 2015
<b>To ensure sustainable Planning, Protection &amp; Development of environment</b>	Development & Adoption of the District Integrated Waste Management Plan (IWMP)	Council Approved IWMP by 30 June 2015
	Implementation of the District-Wide Environmental Management Framework (EMF) Plan	4 Quarterly EMF Implementation Report Submitted to EXCO by 30 June 2015
<b>To ensure Integrated Transport Planning in the District</b>	Reviewing & Adopting the District-wide Integrated Public Transport Network (IPTN) Plan for the DM	Council Reviewed and Approved IPTN Plan by 30 June 2015
<b>To ensure Overall Development Planning Management &amp; Coordination in the District</b>	Effective and Efficient Functioning of the District Development Planning Forum	4 Quarterly Forum Functionality Progress Report submitted to EXCO by 30 June 2015
	Effective and Efficient Functioning of the Development Planning Shares Services Facility in the District	4 Quarterly DPSS Implementation Progress report submitted to EXCO by 30 June 2015
<b>To ensure functional Environmental Health Services</b>	Submission of quarterly reports to the ExCo	4 reports submitted to the ExCo by 30 June 2015
	Identifying, controlling, mitigating adverse health events and promoting healthy living, work and recreational environment for persons living in Umkhanyakude DM	12 reports submitted to Exco by 30 June 2015

**KPA 6: CROSS CUTTING INTERVENTIONS...**

<b>OBJECTIVE</b>	<b>STRATEGY</b>	<b>TARGET</b>
<b>To ensure sustainable Planning, Protection &amp; Development of environment</b>	Development & Adoption of the District Integrated Waste Management Plan (IWMP)	Council Approved IWMP by 30 June 2015
	Implementation of the District-Wide Environmental Management Framework (EMF) Plan	4 Quarterly EMF Implementation Report Submitted to EXCO by 30 June 2015
<b>To ensure Integrated Transport Planning in the District</b>	Reviewing & Adopting the District-wide Integrated Public Transport Network (IPTN) Plan for the DM	Council Reviewed and Approved IPTN Plan by 30 June 2015
<b>To ensure Overall Development Planning Management &amp; Coordination in the District</b>	Effective and Efficient Functioning of the District Development Planning Forum	4 Quarterly Forum Functionality Progress Report submitted to EXCO by 30 June 2015
	Effective and Efficient Functioning of the Development Planning Shares Services Facility in the District	4 Quarterly DPSS Implementation Progress report submitted to EXCO by 30 June 2015
<b>To ensure functional Environmental Health Services</b>	Submission of quarterly reports to the ExCo	4 reports submitted to the ExCo by 30 June 2015
	Identifying, controlling, mitigating adverse health events and promoting healthy living, work and recreational environment for persons living in Umkhanyakude DM	12 reports submitted to Exco by 30 June 2015
<b>To ensure improved response to Disasters</b>	Review of disaster management plan	Disaster management plan reviewed by 30 June 2015
	Enhancement of disaster management structures	Construction complete by 31 December 2014
	Functional Disaster Management Forum	12 meetings held by June 2015

### 3.8 SECTION H: ORGANISATIONAL PERFORMANCE REPORT FOR 2013/2014

UMKHANYAKUDE DISTRICT MUNICIPALITY																			
ORGANISATIONAL SCORECARD																			
YEAR OF THE IDP - 3rd GENERATION									1	2	3 ✓	4	5	FINANCIAL YEAR ENDED					
30 JUNE 2014																			
KPA	OBJECTIVE	STRATEGY	IDP NO	KPI	TARGET	UNIT OF MEASURE/ CALCULATIONS	BUDGET ALLOCATION		ANNUAL			2012-2013 TARGET		2013-2014 TARGET		CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE	RESPONSIBILITY	
							BUDGET	ACTUAL	DEMAND	BASELINE	BACKLOG	PROJECTED	ACTUAL	PROJECTED	ACTUAL				
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	To ensure adherence to Chapter 4 of the Municipal Systems Act no 32 of 2000 as amended	Implementation of IDP and Budget Consultative Programme	1.1.1	Number of IDP/Budget Consultative Programmes	6 IDP/Budget Consultative Programmes by 30 June 2014	Number of programmes	R 5 373 079,00	R 5 373 079,00	N/A	5 Consultative meetings and State of the District Address	N/A	5	5	6	5	The SODA could not be held due to budget constraints. The whole budget was spent on public participation meetings. Proper budget allocation will be ensured during 14/15 FY	Report	PED	
		Implementation of Public Participation Programmes	1.1.2	Number of Public Participation Programmes implemented	4 Public Participation programmes implemented by the 30 June 2014	Number of programmes	R 641 538,00	R 0,00	N/A	1 District-wide programme per quarter (Izimbozo)	N/A	4	0	4	0	N/A	Report	Community Services	
	To improve the livelihoods of the poor, vulnerable groups and support initiatives to reduce vulnerability of infectious diseases, especially reduce the impact of HIV/AIDS on communities	Implementation of Council Outreach Programmes	1.2.1	Number of Council Outreach Programmes	At least 5 programmes implemented by 30 June 2014 (1 per LM)	Number of programmes	R 1 952 897,00	R 0,00	N/A	None currently	N/A	5	0	5	5	N/A	MPAC reports	PED	
		Implementation of Youth Development Programmes	1.2.2	Number of Youth Development Programmes implemented	2 Youth Development Programmes implemented by 30 June 2014	Number of programmes	R 500 000,00	R 0,00	N/A	None currently	N/A	4	4	2	0		Report	Community Services	
		Implementation of Women Development Programmes	1.2.3	Number of Women Development Programmes implemented	2 Women Programmes implemented by 30 June 2014	Number of programmes	R 42 836,00	R 0,00	N/A	Women Summit and Women Month	N/A	2	2	2	0	N/A	Report	Community Services	
		Implementation of HIV/AIDS Programme	1.2.4	Number of HIV/AIDS programmes implemented	At least one Programme implemented by 31 December 2013	Number of programmes	R 508 811,00	R 0,00	N/A	World AIDS Day	N/A	1	1	1	1	N/A	Report	Community Services	
		Implementation of Senior Citizens Programmes	1.2.5	Number of Senior Citizens programmes implemented	At least one Programme implemented by 31 December 2013	Number of programmes	R 500 000,00	R 0,00	N/A	One annual event	N/A	1	1	1	0		Report	Community Services	
		Implementation of Vulnerable Children Programme	1.2.6	Number of Vulnerable Children programmes implemented	at least one Programme implemented by 31 October 2013	Number of programmes	R 500 000,00	R 0,00	N/A	One annual event	N/A	1	0	1	0	N/A	Report	Community Services	
	To support initiatives aimed at ensuring safety and Security of communities, and maximize the capacity of the Municipality to manage Disasters	Grant-in-aid for NGOs	1.2.7	Number of NGOs provided with grants	5 NGOs provided with grants by 31 December 2013	Number of NGOs	R 50 000,00	R 0,00	N/A	None previously (new programme)	N/A	10	10	5	0		Report	Community Services	
		District Disability Programme	1.2.8	Number of programmes implemented	4 programmes by 30 June 2013	Number of programmes	R 603 600,00	R 0,00	N/A	None previously (new programme)	N/A	4	4	4	4	N/A	Report	Community Services	
		District Disaster Management Plan	1.3.1	Council Approved Disaster management Plan	31-Dec-13	Date		R 0,00	R 0,00	N/A	Draft Plan Available	N/A	31-Dec-12	0	31-Dec-13	31-Dec-13		Report	Community Services
	To strengthen the functioning of ward committee system	Construction of Disaster Management Centre	1.3.2	Completed Disaster Management Centre	Disaster Management Centre building completed by 30 June 2014	Date		R 14 000 000,00	R 0,00	N/A	Fully fledged centre is not available	N/A	30-Jun-13	0	30-Jun-14	30-Jun-14	N/A	Report	Community Services
		Implementing operational plan for disaster management	1.3.3	number of progress reports submitted	Monthly reports prepared during 2013/2014 FY	Number of reports		R 571 714,00	R 0,00	N/A	Regular reporting has been lacking in the past	N/A	N/A	N/A	12	0		Report	Community Services
	To promote arts and culture programmes	Implementation of Ward Committee and War Rooms Capacity Building Programme	1.4.1	Number of Ward Committee and War Rooms Capacity Building programmes implemented	2 programmes implemented by 30 June 2014	Number of programmes		R 500 000,00	R 0,00	N/A	Alignment with Provincial Programmes	N/A	N/A	N/A	2	2	Sukuma Sakhe to be chaired by the District Municipality	Report	Community Services
	To promote sports and recreation	Implementation of Arts and Culture Programmes	1.5.1	Number of Arts and Culture programmes implemented	4 programmes implemented by 30 June 2014	Number of programmes		R 213 943,00	R 0,00	N/A	One programme per quarter	N/A	4	4	4	0	N/A	Report	Community Services
		Implementation of Sports and Recreation Programme	1.6.1	Participation at SALGA Games	SALGA Games report adopted by the Council by 31 Jan 2014	Date		R 4 976 585,00	R 0,00	N/A	SALGA Games were held at Ladysmith	N/A	31-Dec-12	31-Dec-12	31-Jan-14	31-Jan-14	N/A	Report	Community Services

KPA	OBJECTIVE	STRATEGY	IDP NO	KPI	TARGET	UNIT OF MEASURE/ CALCULATIONS	BUDGET ALLOCATION		ANNUAL			2012-2013 TARGET		2013-2014 TARGET		CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE	RESPONSIBILITY	
							BUDGET	ACTUAL	DEMAND	BASELINE	BACKLOG	PROJECTED	ACTUAL	PROJECTED	ACTUAL				
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT	To improve access to quality, affordable and reliable municipal services (e.g., water, sanitation, electricity, refuse removal, transportation), and to provide free basic service	Installation of new water connections to households	2.1.1	Number of households connected	2000 households (10% of HHs - service delivery backlog; Census 2011) connected by 30 June 2014	Number of households	R 215 297 000,00	R 0,00	51 278	31 714	19 564	4 885	No Data	2000	250	Target could not be reached due to poor performance by contractors and cashflow problems. Council approved funding under resolution UDMC 00666/1/14 to complete projects which required additional funding.	See File KPI 2.1.1	Technical Services	
		Installation of new sanitation connections to households	2.1.2	Number of households connected	1000 households (11% of HHs - service delivery backlog; Census 2011) connected by 30 June 2014)	Number of households			51 278	42 048	9 230	4 600	No Data	1 000	172	172 constructed in Thembaletu township.	See File KPI 2.1.2	Technical Services	
		Installation of new electricity connections to households (eOakwini Project)	2.1.3	Number of households connected	3500 households connected by 30 June 2014 (10% of backlog)	Number of households	R 10 000 000,00	R 0,00	51 278	16 409	34 869	282	305	3 500	0	Implemented by Mthubata Local Municipality		Technical Services	
		Implement Municipal Water Infrastructure Grant (MWIG)	2.1.4	Number of households connected	3200 households connected by June 2014	Number of households	R 27 000 000,00	R 0,00	51 278	None previously (new programme)			None	None	3 200	3442	14 boreholes and replacing of 24 hand pumps in 5 wards within Mthubata LM. Progress was hampered by late approval of business plans. Business plans have been approved to enable work to proceed. Discussions are being held with the leadership of Isingangalase Wetland Authority and UKDM to address challenges faced by Mabibi and KwaZibi.	See File KPI 2.1.4	Technical Services
		Implement Accelerated Community Infrastructure Programme (ACIP)	2.1.5	Number of households connected	1500 households connected by June 2014	Number of households	R 12 000 000,00	R 0,00	51 278	None previously (new programme)			None	None	1 500	0	Not achieved. Funding was withdrawn due to poor contractor performance. ACIP funds for 2014/15 financial year are being administered by DWA KZN for WCDM program hence no rollovers were possible. Projects were put on hold	See File KPI 2.1.5	Technical Services
		Implement Regional Bulk Infrastructure Programme (RBIG)	2.1.6	Number of households connected	4500 households connected by June 2014	Number of households	R 239 400 000,00	R 0,00	51 278	None previously (new programme)			None	None	4 500	4270	The projects implemented include bulk infrastructure and hence their impact are not just individual household connections. The projects are implemented by Mthubata Water. New treatment works under construction in Jozini to increase area of supply	See File KPI 2.1.6	Technical Services
		Implement Massification Programme	2.1.7	Number of households connected	1800 households connected by June 2014	Number of households	R 14 200 000,00	R 0,00	51 278	None previously (new programme)			None	None	1 800	0	Massification funds used for rehabilitation of existing works which can not be measured against a number of connected people. Nduro CWSST was delayed due to procurement delays. The Package plant has now been procured	See File KPI 2.1.7	Technical Services
	To provide free basic services	Installation of free basic water	2.2.1	Number of households connected	2900 households that would benefit from stand pipes provided free basic water by 30 June 2014; 10% of backlog)	Number of households			76 917	47 571	29 346	3 840	No Data	2 900	0	Water Provision measured K.P.I 2.1.1	Report	Technical Services	
		Installation of free basic sanitation	2.2.2	Number of households connected	1400 households that would benefit from VIP toilets provided free basic sanitation by 30 June 2014; 10% of backlog)	Number of households	R 6 100 000,00	R 0,00	76 917	63 072	13 845	3 600	No Data	1 400	5082	3838 Completed in Ingwavuma, 800 completed in Mthubata and 444 completed in Jozini.	See File K.P.I 2.1.9	Technical Services	
		Installation of free basic electricity	2.2.3	Number of households connected	5200 households (11% of HHs - service delivery backlog; Census 2011) installed with basic electricity by 30 June 2014	Number of households			76 917	24 613	52 304	No Data	No Data	5 200	350	305 new electrical connections and 45 conversions to prepaid metering in KwaMshaya. Budget expended	See File KPI 2.1.10	Technical Services	
	Regular investment in infrastructure in order to improve on operations and maintenance	Implement Water Leaks Repair Programme	2.3.1	Number of reports submitted to the ExCo	12 reports by 30 June 2014	Number of reports	R 2 000 000,00	R 0,00	N/A	None for the previous financial year	N/A	None	None	12	12	This was combined with the replacement of existing infrastructure reports. Its not possible to distinguish between water leaks and replacement of existing infrastructure	See File 2.1.11	Technical Services	
		Replacement of existing infrastructure Programme	2.3.2	Number of reports submitted to the ExCo	12 reports by 30 June 2014	Number of reports	R 40 000 000,00	R 0,00	N/A	None for the previous financial year	N/A	None	None	12	12	Operation and Maintenance reports submitted	See File 2.1.11	Technical Services	
		Repairs and Maintenance Programme	2.3.3	Number of reports submitted to the ExCo	12 reports by 30 June 2014	Number of reports	R 31 535 077,00	R 0,00	N/A	None for the previous financial year	N/A	8	8	12	4	Quarterly Reports Submitted	See File 2.1.13	Technical Services	

KPA	OBJECTIVE	STRATEGY	IDP NO	KPI	TARGET	UNIT OF MEASURE/ CALCULATIONS	BUDGET ALLOCATION		ANNUAL			2012-2013 TARGET		2013-2014 TARGET		CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE	RESPONSIBILITY
							BUDGET	ACTUAL	DEMAND	BASELINE	BACKLOG	PROJECTED	ACTUAL	PROJECTED	ACTUAL			
LOCAL ECONOMIC DEVELOPMENT	To create an environment that will ensure an inclusive District economy that will be representative of the broader demographics of the District	Development of a Local Economic Development Strategy	3.1.1	Council adopted strategy	LED Strategy developed and adopted by the Council by 30 June 2014	Council resolution	R 12 651,00	R 0,00	N/A	Current Strategy was developed in 2006	N/A	N/A	N/A	LED Strategy by 30 Jun 2014	0	Budget provided in the 2014/2015 Financial Year	Exco resolution	Planning & Economic Development
		Strengthening the capacity of uMhlobozisa Development Agency to deliver on its mandate	3.1.2	Grant Transfer to UMDA for Operations	30-Sep-13	Date	R 15 701 402,00	R 0,00	N/A	R2,618,724 was also transferred during 2012/2013 FY	N/A	30-Sep-12	30-Sep-12	30-Sep-13	30-Sep-13	N/A	Transfer docs	Planning & Economic Development
		Preparation of documentation to enable construction phase of the airport upgrade to commence in time	3.1.3	Non aviation pre-construction phase activities finalised	30-Jun-14	Date	R 0,00	R 0,00	N/A	Only runway was upgraded previously	N/A	N/A	N/A	30-Jun-14	0	Bid Committees established for procurement processes	Minutes of Board meeting	Planning & Economic Development
	Educated and skilful citizenry so as to enable the residents of the district access to the means of production and sustainable livelihood; especially the youth, women and the disabled	Awarding of bursaries to students pursuing scarce skills	3.2.1	Number of students receiving bursaries	10 students awarded with bursaries by 31 January 2014	Number of students	R 300 000,00	R 0,00	N/A	None	N/A	10	10	10	10	N/A	Report	Corporate Services
		Strengthening Cooperatives within the District	3.3.1	Implementation of Cooperatives Development Programme	5 Programmes implemented (1 per LM) by 30 June 2014	Number of programmes	R 429 257,00	R 0,00	N/A	None	N/A	31-Mar-13	Not achieved	31-Dec-13	0	Study currently underway	Appointment Documents	Planning & Economic Development
	Ensuring the growth and development of local SMMEs and Cooperatives through the infrastructure investment entered into through partnerships	Implementation of Emerging Contractors Development Programme	3.3.2	Number of Emerging Contractors Developed	10 Emerging Contractors Developed by 30 June 2014	Number of contractors	R 1 614 796,00	R 0,00	N/A	None	N/A	N/A	N/A	30-Sep-13	0	Project to be implemented in the 2014/2015 Financial year	SDBIP	Planning & Economic Development
		Implementation of Tourism Development and Promotion Programmes	3.3.3	Number of Tourism programmes developed	5 Programmes implemented by 30 June 2014	Number of programmes	R 922 018,00	R 0,00	N/A	Tourism Broucher and Tourism Indaba	N/A	5	5	5	5	N/A	Report	Planning & Economic Development
Job opportunities created through LED development initiatives including Capital Projects		3.3.4	Number of jobs created	500 by 30 June 2014	Number of jobs	R 0,00	R 0,00	N/A	300	N/A	500	500	500	500	N/A	Report	Planning & Economic Development & Technical Services	
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	To provide effective and efficient Human Resources Management Services aimed at achieving a skilled workforce that is responsive to Service delivery and change	Implementation of Workplace Skills Plan	4.1.1	Percentage of budget spent on WSP	100% of the budget spent by 30 June 2014	Percentage	R 1 574 766,00	R 0,00	N/A	R152,080 spent in 2011/2012 FY	N/A	100%	121%	20	N/A	Report	Corporate Services	
		Submission of Employment Equity report	4.1.2	Submission of EE Report	EE Equity report submitted to the Dept of Labour by 31 October 2013	Date	R 0,00	R 0,00	N/A	Not submitted previously	N/A	30-Oct-12	0	30-Oct-13	0	Report	Corporate Services	
		Employ people from designated group in the three highest levels of management	4.1.3	Number of people employed	4 people by June 2014	Number	R 0,00	R 0,00	N/A	3 people (women to be targeted for senior posts)	N/A	3	3	4	N/A	Report	Corporate Services	
	To ensure effective and efficient administration	Administration of services contracts	4.2.1	Submission of services contractors performance reports to the ExCo	4 reports submitted to the ExCo by 30 June 2014	Number of reports	R 13 199 368,00	R 0,00	N/A	No previous records as votes were split according to various services	N/A	4	4	31-Dec-13	31-Dec-13	N/A	Report	Corporate Services
	To ensure effective and efficient ICT Systems	Implementation of ICT Programmes	4.3.1	Number of ICT programmes implemented	4 programmes implemented by 30 June 2014	Number of programmes	R 2 016 289,00	R 0,00	N/A	Migration of data to Pastel is in progress	N/A			4	4	N/A	Report	Corporate Services
	To ensure effective Organizational Performance Management System	Development of a Performance Management System	4.4.1	Cascading of PMS to middle-management	2 performance reviews conducted by 30 June 2014	Number or performance reviews	R 0,00	R 0,00	N/A	PMS at levels below S56 not in existence	N/A	2 Reviews	0	2	0	Reviews to be conducted quarterly in 2014/2015 Financial Year	Report	Planning & Economic Development
			4.4.2	Implementation of the PMS	4 quarterly reports submitted to the ExCo by 30 June 2014	Number of reports	R 0,00	R 0,00	N/A	PMS implemented but not functional	N/A	4	0	4	0	N/A	Report	Office of the Municipal Manager
4.4.3			Conducting performance reviews	4 quarterly performance reviews conducted by 30 June 2014	Number of reports	R 0,00	R 0,00	N/A	PMS reviews not conducted	N/A	4	0	4	0	Reviews to be conducted quarterly in 2014/2015 Financial Year	Report	Office of the Municipal Manager	
To ensure effective Integrated development planning	Preparation of an Annual Report for 2012/2013	4.4.4	Adoption of an Annual Report	Council adopted Annual Report by 31 January 2014	Date	R 0,00	R 0,00	N/A	Annual report adopted	N/A	31-Jan-13	31-Jan-13	31-Jan-14	31-Jan-14	N/A	Council resolution	Office of the Municipal Manager	
4.5.1	Adoption of an IDP Document	Council Adopted IDP Review (2014/15) IDP by 31 May 2014	Date	R 0,00	R 0,00	N/A	12/13 Adopted with 71% credibility score	N/A	31-May-13	31-May-13	31-May-14	0	N/A	Council resolution	Office of the Municipal Manager			

KPA	OBJECTIVE	STRATEGY	IDP NO	KPI	TARGET	UNIT OF MEASURE/ CALCULATIONS	BUDGET ALLOCATION		ANNUAL			2012-2013 TARGET		2013-2014 TARGET		CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE	RESPONSIBILITY
							BUDGET	ACTUAL	DEMAND	BASELINE	BACKLOG	PROJECTED	ACTUAL	PROJECTED	ACTUAL			
FINANCIAL VIABILITY AND MANAGEMENT	Improved revenue and cash management capability	Efficient management of Outstanding Service Debtors to Service Revenue ratio	5.1.1	Outstanding Service Debtors to Service Revenue Ratio maintained	Outstanding Service Debtors to Service Revenue ratio maintained at less than 0.5 throughout the 2013/2014 FY	Ratio	R 0,00	R 0,00	N/A	0.22 during 11/12 FY	N/A	< 0.5	0,34	<0.5	0		Report	Finanacial Services
		Efficient management of Debt management Ratio	5.1.2	Debt Coverage Ratio	More than 1 Debt coverage Ratio maintained throughout the 2013/2014 FY	Percentage	R 0,00	R 0,00	N/A	1.64 during 11/12 FY	N/A	> 1	5,34	>1	1.1		Report	Finanacial Services
	Efficient expenditure Management	Capital Budget expenditure monitoring and reconciling	5.2.1	Percentage of capital budget spent	100% of funded MIG projects committed by 30 June 2013/2014	Percentage	R 0,00	R 0,00	N/A	88.9% during 11/12 FY	N/A	100%	93%	100%	100%		Report	Technical Services
		Efficient management of Cost Coverage Ratio	5.2.2	Cost Coverage Ratio achieved	More than 1 Cost Coverage Ratio maintained throughout the 2013/2014 FY	Ratio	R 0,00	R 0,00	N/A	2.84% during 11/12 FY	N/A	>1	2,84	>1	1.1		Report	Finanacial Services
		Operating Budget expenditure monitoring and reconciling	5.2.3	Percentage maintained	Salaries & Wages to be not more than 35% of Operating Budget throughout the 2013/2014 FY	Percentage	R 0,00	R 0,00	N/A	26% during 11/12 FY	N/A	< 35%	< 35%	< 35%	< 35%		Report	Finanacial Services
	Sound Financial Planning and reporting	Preparation of budget in line with the IDP	5.3.1	Alignment of KPAs in the IDP and Budget	Council approved Annual Budget by 31 May 2014	Date	R 0,00	R 0,00	N/A	Poor alignment as Budget is not informed by the IDP	N/A	31-May-13	31-May-13	31-May-14	0		Report	Finanacial Services
		S71 Reporting	5.3.2	Monthly reports submitted to the ExCo	12 Monthly financial reports (S71) adopted by the ExCo by 30 June 2014	Number of reports	R 0,00	R 0,00	N/A	12 reports were submitted	N/A	12	12	12	12	N/A	Report	Finanacial Services
		Preparation of MFMA S72 report	5.3.3	S72 Report submitted to the Council	Council approved Mid-term/mid-year budget by 25 January 2014	Date	R 0,00	R 0,00	N/A	Mid-term review report was adopted by the Council in Jan 2013	N/A	25-Jan-13	25-Jan-13	25-Jan-14	N/A	N/A	Report	Finanacial Services
		Preparation and compilation of MFMA S122 statements	5.3.4	Annual Financial Statements submitted to AG	Prepared and submitted consolidated AFS to AG by the 30 September 2013	Number of reports	R 0,00	R 0,00	N/A	Consolidated AFS were submitted on time in Sep 2012	N/A	31-Aug-12	31-Aug-12	31-Aug-13	31-Aug-13		Report	Finanacial Services
		5.3.5	AG Report received by the Municipality	AG opinion not below "qualified opinion" on finance related matters by the 31 December 2013	Opinion	R 0,00	R 0,00	N/A	Disclaimer opinion was received from AG	N/A	Not below Qualified Opinion	Qualified Opinion	30-Sep-13	Work-in-Progress		Report	Finanacial Services	
SPATIAL PLANNING AND MANAGEMENT	Ensuring the provision of Geographical Information System (GIS)	Procurement of GIS software and hardware	6.1.1	Procured GIS	Software procured by 31 December 2013	Date	R 100 000,00	R 0,00	N/A	Software not fully functional	N/A	30-Jun-13	0	31-Dec-13	31-Dec-13	Budget provided in the 2014/2015 Financial Year	SDBIP	Planning & Econ Development
		Establishment of GIS hub at the DM	6.1.2	GIS Hub established	GIS Hub established by 30 June 2014	Date	R 300 000,00	R 0,00	N/A	GIS Hub not established	N/A	30-Jun-13	0	30-Jun-14	0	Budget provided in the 2014/2015 Financial Year	SDBIP	Planning & Econ Development
<b>TOTAL</b>							<b>R 664 637 627,00</b>	<b>R 5 373 079,00</b>										

NAME OF OFFICIAL:  
SIGNATURE OF OFFICIAL:  
DESIGNATION OF OFFICIAL:  
DATE:

## CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

### 4.1 SECTION A: MUNICIPAL PERSONNEL OVERVIEW

Employee Totals	Board & General (09) Corporate Services (35) Community Services (23) Financial Services (55) PED (11) Technical Services (239) Casual Workers (14)
<b>TOTAL</b>	<b>(372 excluding casual workers)</b>
Turnover	Deaths (04) Resignations (06) Retirements (02) Expiry of contracts (05)
<b>TOTAL</b>	<b>17</b>
Vacancies (As per the approved Organogram)	Board & General (05) Corporate Services (04) Community Services (09) Financial Services (18) PED (04) Technical Services (24)
<b>TOTAL</b>	<b>64</b>

### 4.2 SECTION B: MANAGING THE MUNICIPAL EMPLOYEE WORKFORCE

#### Policies

UMkhanyakude District Municipality has developed a number of policies that deal with the management of human resources. The following policies were adopted by Council during the 2013/2014 financial year:

- Hours of Work Policy
- Overtime Policy
- Benefits and Allowances Policy
- Acting Allowance Policy
- Cellular Phones Policy
- Transport Allowance Policy
- Remuneration Policy
- Long Service Benefit Policy
- Subsistence and Traveling Policy
- Leave of Absence Policy
- Health and Safety Policy
- Employee Assistance Programme Policy
- HIV and AIDS Policy
- Training Policy
- Internship Policy
- Employment Relations Policy
- Incapacity Code and Procedures
- Sexual Harassment Policy
- Racial and Ethnic Harassment Policy



- Employee Study Assistance Policy
- Termination of Employment Policy
- Recruitment and Selection Policy
- Staff Retention Policy
- Employment Equity Policy
- Human Resources Management Policy
- Records Management Policy
- Information Technology Security Policy
- Use of Internet and Email
- Telephone - Private Calls Policy
- Municipal Housing Scheme and Assistance Policy
- Motor Vehicle Usage Policy

### **Injuries and Sickness**

<b>Month</b>	<b>Employee</b>	<b>Occupation</b>	<b>Incident</b>	<b>No. of incidents</b>	<b>Interventions</b>
Jul-013	N. S. Mdletshe	Accountant	Sinus infection	1	Removal of carpet in progress
Sep-2013	N. Msweli	Supervisor	Bee sting	1	Fumigation done
Sep-2013	T. N. Buthelezi	Cashier	Bee sting	1	Fumigation done

### **Suspensions**

None

**Municipal Workforce (ANNUAL TRAINING REPORT: 2013/14)**

Employee Name	Position	Department	Training attended	Type of Training intervention	Duration	Service Provider/ Institution	Is the training NQF aligned	No. of Credits	Budget spent
Mr.Ramsley Zamisa	GIS Specialist	Planning & Economic Development (PED)	GIS	Formal	5 Days	ArcGIS	NQF 5	15	R 15 800.00
Councillors	Exco Members and the Speaker	Board & General	Councillors Practice	Formal	5 Days	Kalideen Management Services	NQF 3	22	R92100.00
Siyabonga Buthelezi	Accountant	Finance	Asset Management	Informal	2 Days	Nkanyelo	N/A	N/A	R9999.00
Wiseman Mtawali	Skills Development Officer	Corporate Services	Employment Equity	Informal	2 Days	Talent Africa Development	N/A	N/A	R8595.00
Mbuso Nkosi	IT Officer	Corporate Services	MCSA	Formal	15 Days	iSolve	NQF 5	83	R19378.86
Hlabisa Blessing 12 Local Municipalities Officials	Plant Operator Waste management	Technical Department	Environmental Practice	Formal	6 Months	WESSA	NQF 2	N/A	Funded by LGSETA
Miss N Mdletshe Ms T Ndaba Miss M Mthembu Ms M Ngubane	Committee Management Personnel	Corporate Services	Minute Taking & Report Writing	informal	3 Days	Pugela Consulting	N/A	N/A	
Ms L Miss J Ngubane Ms K Ntuli	Secretary  Secretary P.A	Board & General  Finance	Advance Skills for Executive secretaries and PA's	informal	3 Days	Secolo Consulting& Training Services	N/A	N/A	R34196.58
Mr.M Sengwayo	IT Help Desk	Corporate Services	Network + and Security +	Formal	10 days	iSolve	NQF 5	83	R14858.76
20 Occupational Health Representatives	OHS Committee	All departments representatives	Health and Safety Representatives	Formal	3 days	Access Bridge Health and Risk Solutions	NQF 2	25	R27 930.00
• B. Sibisi	Finance	Finance	MFMP	Formal		Weinvest	NQF 6		R245 700.00

<ul style="list-style-type: none"> <li>• K. Ntshangase</li> <li>• M. Dlodlu</li> <li>• K. Sithole</li> <li>• Q. Hlathswayo</li> <li>• C. Fakude</li> </ul>	Officials					Investment CC			
<ul style="list-style-type: none"> <li>• Shandu M. D</li> <li>• Mathenjwa S. P.</li> <li>• Khowane B. N.</li> <li>• Mdletshe N. C.</li> <li>• Matlena L. M.</li> <li>• Myeni M. Z.</li> <li>• Mgwaba M. B.</li> <li>• Buthelezi S. B.</li> <li>• Masondo P. M.</li> <li>• Manqele N. J.</li> <li>• Mdletshe N. S.</li> <li>• Vilane T.</li> <li>• Kweyama T. P.</li> <li>• Ndlovu M. L.</li> <li>• Sibiya T. L.</li> <li>• Msomi N. P.</li> <li>• Ngubane F. F</li> </ul>	Finance Officials	Finance Department	MFMP	Formal	1 year	Deloitte	NQF 5		450 000.00
<ul style="list-style-type: none"> <li>• Mkhwanazi NSV</li> <li>• Dlamini SM</li> </ul>	General Managers	Finance and Community Department	MFMP	Formal	1 year	WITS Business School	NQF 7		Last Financial Year Budget
<ul style="list-style-type: none"> <li>• N. Mdletshe</li> <li>• N. Mthembu</li> <li>• L.Ntombela</li> <li>• J. Ncube</li> <li>• M. Ntuli</li> <li>• N.Madlopha</li> </ul>	Secretaries, Clerks and Pas	Corporate, Finance and Board & General	Professional Master class	Informal	3 Days	Rantsane Mario	N/A		R79274.80

# CHAPTER 5: FINANCIAL PERFORMANCE

## 5.1 STATEMENT OF FINANCIAL PERFORMANCE

DC27 Umkhanyakude - Statements of Financial Performance							
Description	2012/2013	Current Year 2013/14			2013/14 Variance		Notes
		Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	
<b>R Thousands</b>							
<b>Financial Performance</b>							
Property rates	-				-	-	
Service charges	45 793	48 226	19 618	41 921	13%	-114%	
Investment revenue	11 144	2 300	5 143	12 525	-445%	-144%	a
Transfers recognised - operational	430 831	410 850	504 898	450 554	-10%	11%	b
Other own revenue	5 460	5 426	62 218	680	87%	99%	c
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>493 229</b>	<b>466 802</b>	<b>591 877</b>	<b>505 680</b>			
Employee costs	62 795	72 427	87 656	70 538	3%	20%	
Remuneration of councillors	2 556	4 999	5 239	6 244	-25%	-19%	
Depreciation & asset impairment	47 605	2 408	30 000	21 016	-773%	30%	d
Finance charges	1 285	1 771	843	1 066	40%	-26%	
Materials and bulk purchases	63 103	63 321	42 826	121 610	-92%	-184%	e
Transfers and grants	5 582	-	-	-	0%	0%	f
Other expenditure	69 957	106 419	102 405	105 836	1%	-3%	
<b>Total Expenditure</b>	<b>252 884</b>	<b>251 345</b>	<b>268 969</b>	<b>326 310</b>			
<b>Surplus/(Deficit)</b>	<b>240 345</b>	<b>215 457</b>	<b>322 908</b>	<b>179 370</b>			
Transfers recognised - capital	233 333	215 490	299 792	275 626	-28%	8%	
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>473 678</b>	<b>430 947</b>	<b>622 700</b>	<b>454 997</b>			
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	<b>473 678</b>	<b>430 947</b>	<b>622 700</b>	<b>454 997</b>			
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>233 333</b>	<b>215 490</b>	<b>299 792</b>	<b>275 626</b>	<b>-28%</b>	<b>8%</b>	
Transfers recognised - capital	233 333	215 490	299 792	275 626	-28%	8%	
Public contributions & donations	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	
Internally generated funds	-	-	-	-	-	-	
<b>Total sources of capital funds</b>	<b>233 333</b>	<b>215 490</b>	<b>299 792</b>	<b>275 626</b>	<b>-28%</b>	<b>8%</b>	
<b>Financial position</b>							
Total current assets	164 033	34 988	34 988	212 700	-508%	-508%	g
Total non current assets	1 121 381	1 140 183	1 140 183	1 280 156	-12%	-12%	
Total current liabilities	192 522	20 460	20 460	157 286	-669%	-669%	h
Total non current liabilities	12 743	8 563	8 563	9 837	-15%	-15%	
Community wealth/Equity	1 078 866	-	-	1 327 296			
<b>Cash flows</b>							
Net cash from (used) operating	42 980	191 113	191 113	267 394	-40%	-40%	
Net cash from (used) investing	(44 733)	24	24	(220 490)	918810%	918810%	i
Net cash from (used) financing	1 732	(1 306)	(1 306)	(832)	36%	36%	
<b>Cash/cash equivalents at the year end</b>	<b>5 298</b>	<b>194 185</b>	<b>194 185</b>	<b>51 454</b>	<b>74%</b>	<b>74%</b>	
<b>Cash backing/surplus reconciliation</b>							
Cash and investments available	128 847	143 000	143 000	-	100%	100%	
Application of cash and investments	181 832	427 403	436 689	-	100%	100%	
<b>Balance - surplus (shortfall)</b>	<b>(52 985)</b>	<b>(284 403)</b>	<b>(293 689)</b>	<b>-</b>	<b>100%</b>	<b>100%</b>	
<b>Asset management</b>							
Asset register summary (WDV)	57	-	-	-			
Depreciation & asset impairment	28	1 181	1 181	-	100%	100%	
Renewal of Existing Assets	-	112 292	112 292	-	100%	100%	
Repairs and Maintenance	-	13 092	13 092	-	100%	100%	
a to i: high percentages are as a result of underbudgeting for corresponding items.							

## 5.2 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

DC27 Umkhanyakude Financial Performance of Operational Services							
	Dec-13	Current Year 2013/14			2013/14 Variance		Notes
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	
<b>Expenditure - Standard</b>							
<b>Governance and administration</b>	<b>46 650</b>	<b>90 198</b>	<b>98 188</b>	<b>100 666</b>			
Executive and council	21 264	16 157	34 794	22 942	-30%	52%	
Budget and treasury office	14 443	13 333	48 545	62 843	-79%	-23%	
Corporate services	10 943	60 708	14 849	14 880	308%	0%	
<b>Community and public safety</b>	<b>16 803</b>	<b>24 625</b>	<b>33 354</b>	<b>16 338</b>	<b>51%</b>	<b>104%</b>	
Community and social services	16 803	24 625	33 354	16 338	51%	104%	
Sport and recreation	-	-	-	-	-	-	
Public safety	-	-	-	-	-	-	
Housing	-	-	-	-	-	-	
Health	-	-	-	-	-	-	
<b>Economic and environmental services</b>	<b>6 874</b>	<b>17 577</b>	<b>18 387</b>	<b>10 350</b>	<b>70%</b>	<b>78%</b>	
Planning and development	6 874	17 577	18 387	10 350	70%	78%	a
Road transport	-	-	-	-	-	-	
Environmental protection	-	-	-	-	-	-	
<b>Trading services</b>	<b>79 920</b>	<b>144 829</b>	<b>142 297</b>	<b>95 482</b>	<b>52%</b>	<b>49%</b>	
Electricity	9 431	21 949	42 909	59 532	-63%	-28%	b
Water	70 489	119 584	96 012	35 949	233%	167%	
Waste water management	-	-	-	-	-	-	
Waste management	-	3 296	3 376	-	-	-	
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenditure - Standard</b>	<b>150 246</b>	<b>277 229</b>	<b>292 226</b>	<b>222 835</b>	<b>24%</b>	<b>31%</b>	
a and b: high percentages are as a result of overbudgeting for corresponding departments.							

### 5.3 GRANT PERFORMANCE

DC27 Umkhanyakude - Grant Performance							
Description	Dec-13	Current Year 2013/14			2013/14 Variance		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	Notes
<b>RECEIPTS:</b>							
<b>Operating Transfers and Grants</b>							
<b>National Government:</b>	<b>176 801</b>	<b>198 743</b>	<b>198 743</b>	<b>195 896</b>			
Local Government Equitable Share	174 928	196 603	196 603	193 756	99%	99%	a
Finance Management	1 250	1 250	1 250	1 250	100%	100%	
Municipal Systems Improvement	623	890	890	890	100%	100%	
Other transfers/grants [insert description]							
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>			
Other transfers/grants [insert description]	-	-	-	-			
<b>Total Operating Transfers and Grants</b>	<b>176 801</b>	<b>198 743</b>	<b>198 743</b>	<b>195 896</b>			

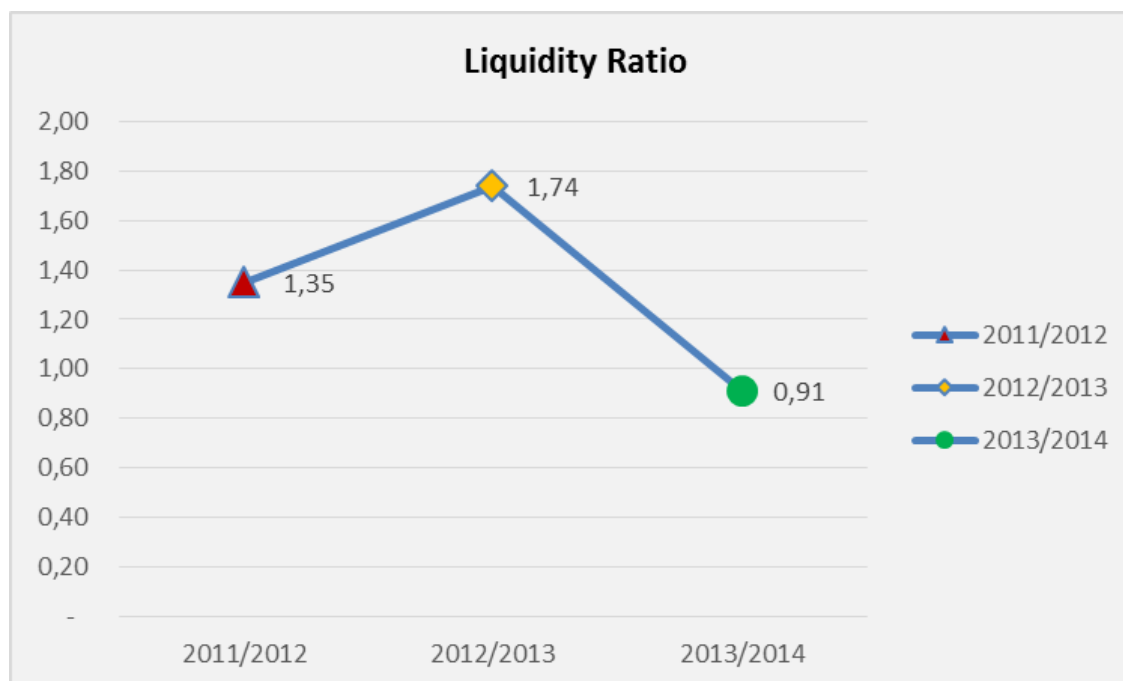
\*The municipality depends mainly on government grants and subsidies to be fully functional, thus resulting in high allocation of equitable share.

### 5.4 REPAIRS AND MAINTENANCE FOR 2013/2014

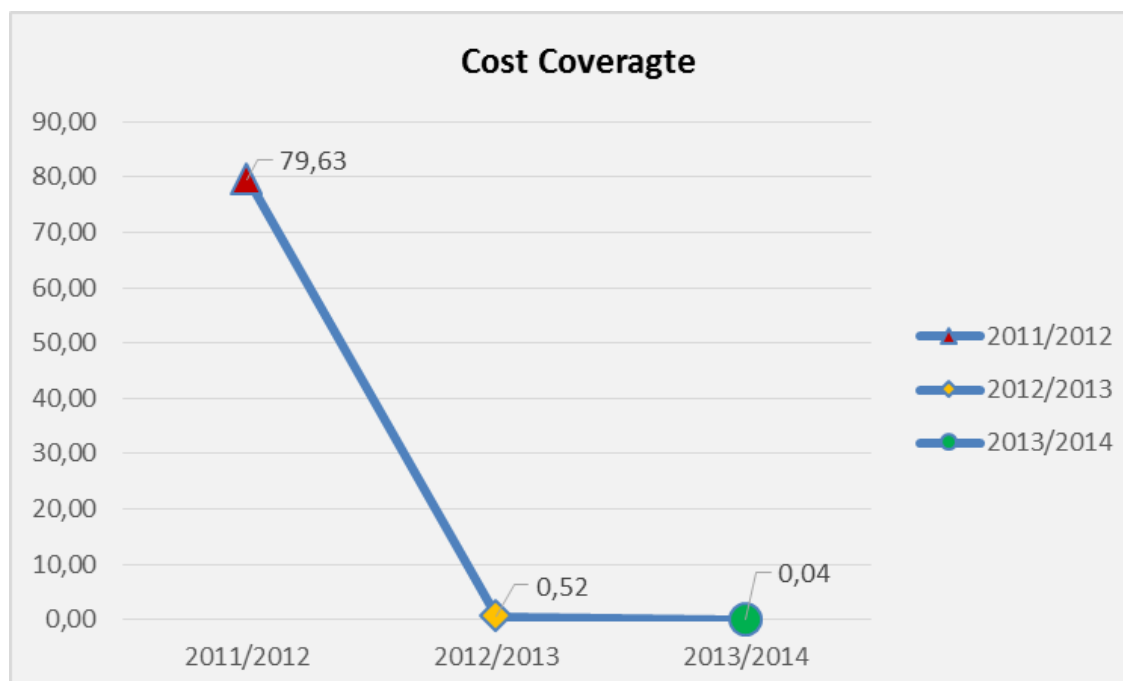
DC27 Umkhanyakude - Repairs and Maintenance 2013/14					
Description	Dec-13	Current Year 2013/14			
	Audited Outcome	Original Budget	Adjusted Budget	Actual	Budget Variance %
Repairs and Maintenance	R 21 841 737,00	R 26 032 000,00	R 29 555 000,00	R 36 270 006,00	-23%

\*Over spending by 23% in repairs and maintenance is as a result of infrastructure assets that require regular maintenance because of their ageing.

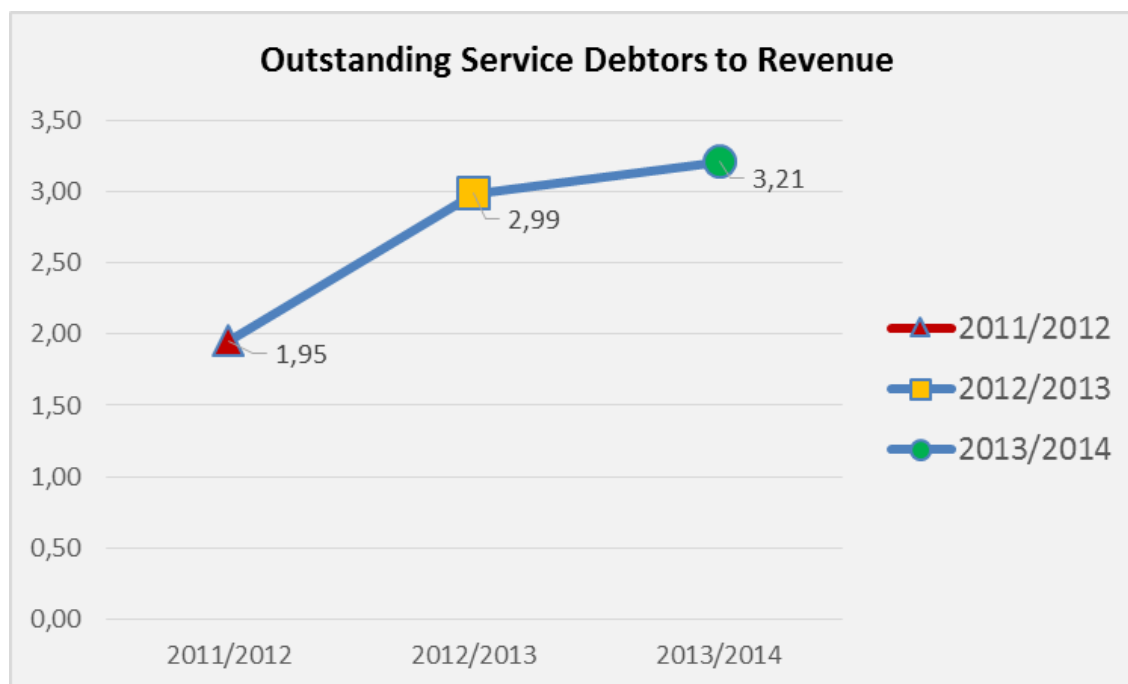
## 5.5 LIQUIDITY RATIO



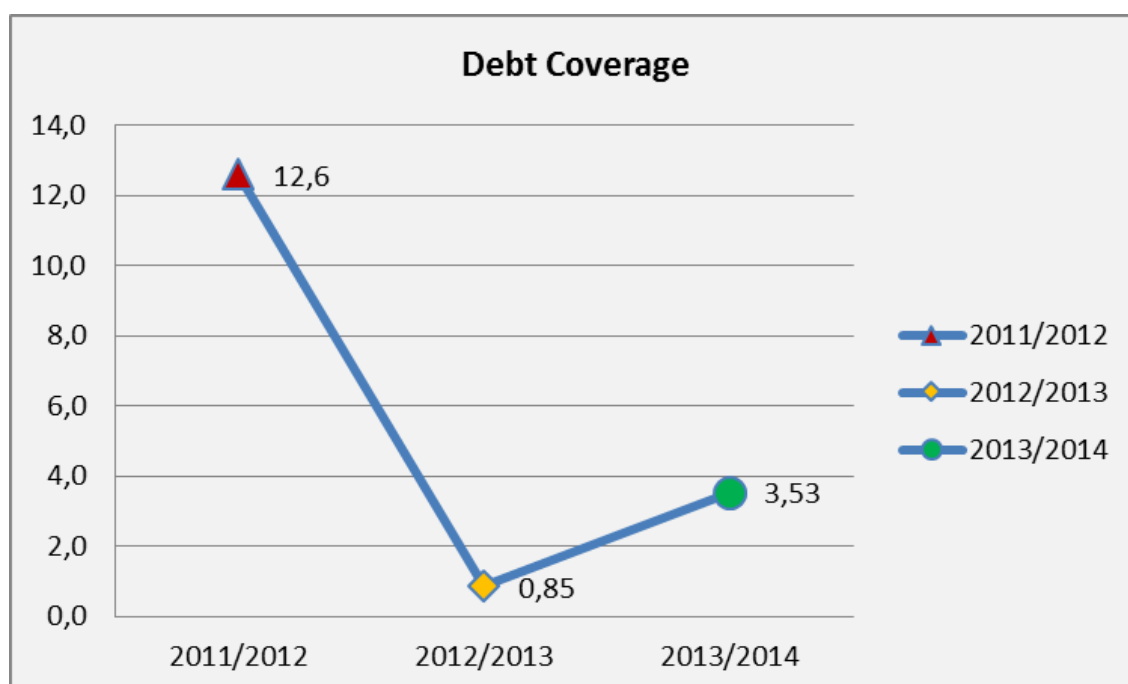
## 5.6 COST COVERAGE



## 5.7 OUTSTANDING SERVICE DEBTORS TO REVENUE

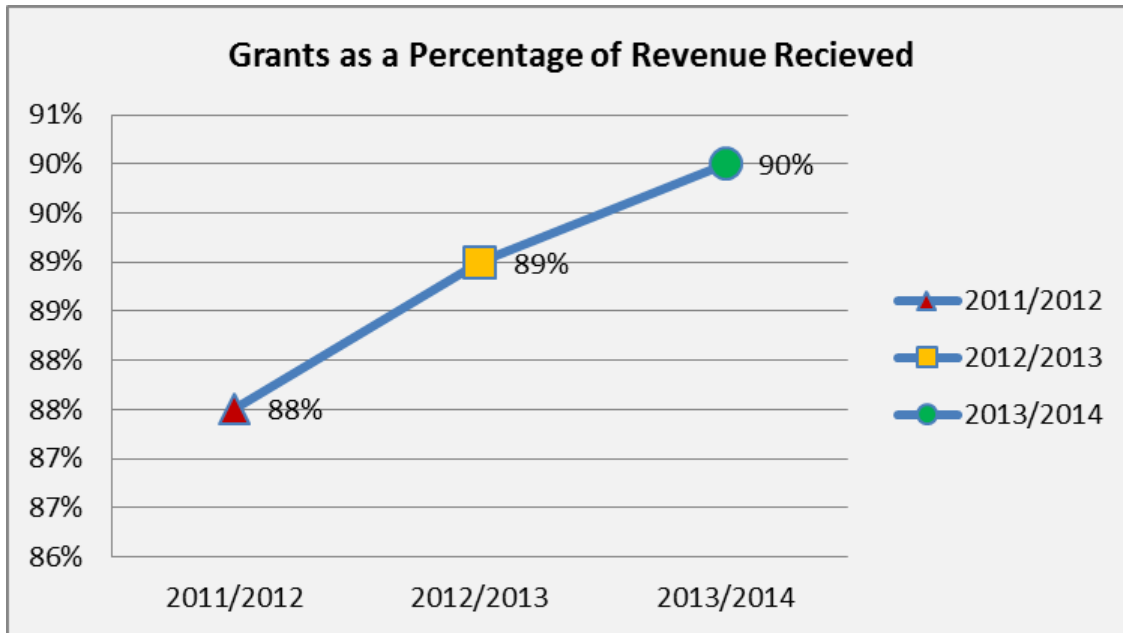


## 5.8 DEBT COVERAGE

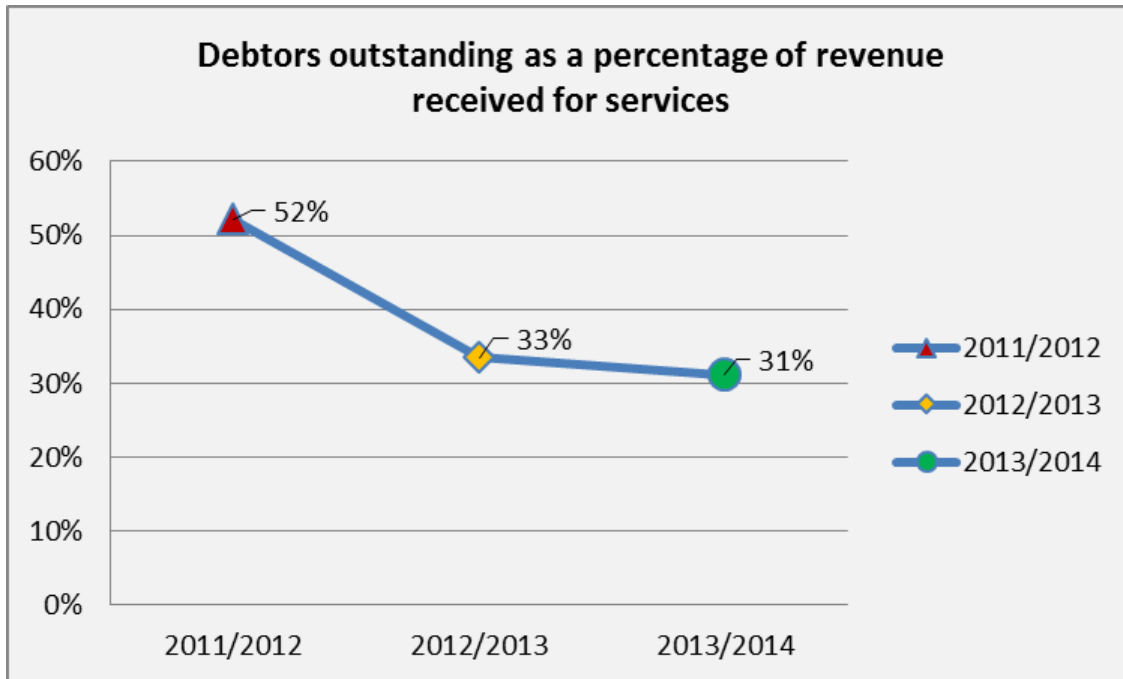




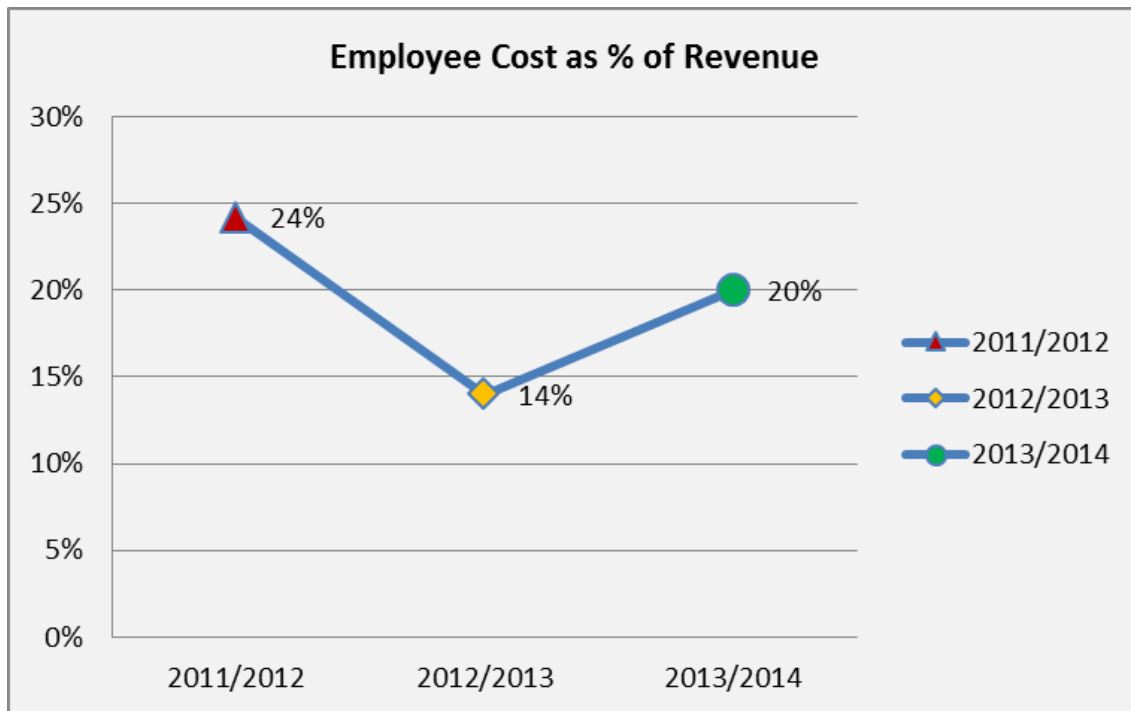
### 5.9 GRANTS AS A PERCENTAGE OF REVENUE RECEIVED



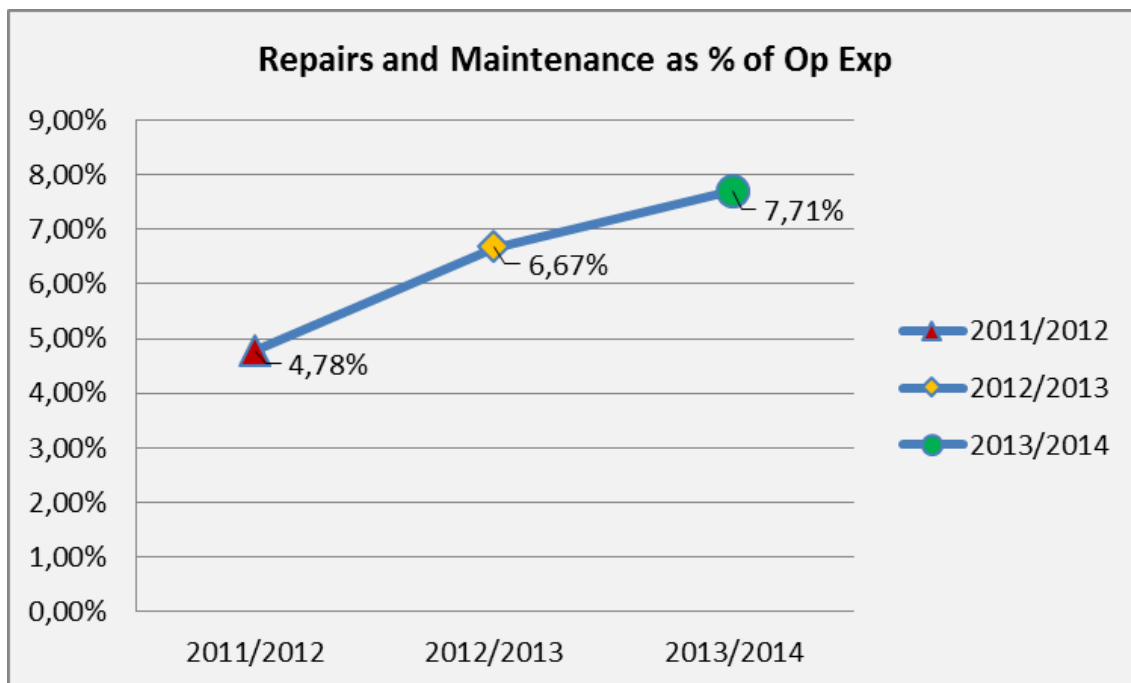
### 5.10 OUTSTANDING SERVICE DEBTORS TO SERVICE REVENUE



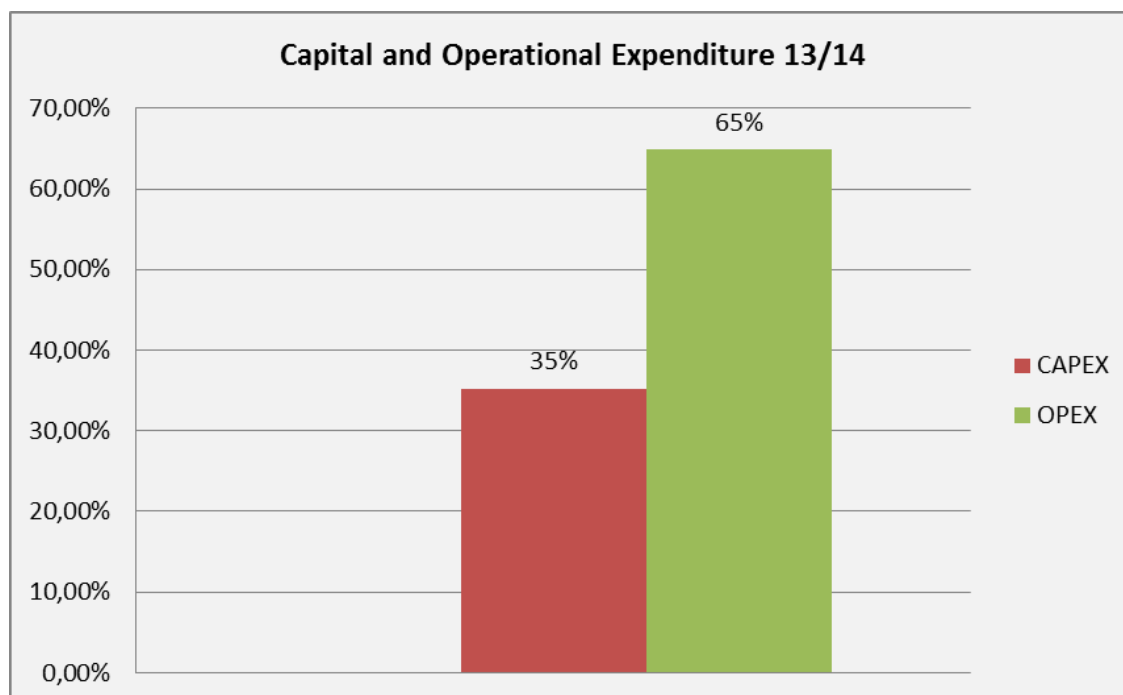
### 5.11 EMPLOYEE COST AS PERCENTAGE OF REVENUE



### 5.12 REPAIRS AND MAINTENANCE AS PERCENTAGE OF OPERATING EXPENDITURE



### 5.13 CAPITAL AND OPERATIONAL EXPENDITURE



## 5.14 SERVICE PROVIDERS PERFORMANCE REPORT



UMKHANYAKUDE DISTRICT MUNICIPALITY

TENDER REGISTER 2013/2014

TENDER NO.	COMPANY	SERVICE	CONTRACT PERIOD	APPOINT. DA	VALUE	START DATE	EXP. COMPLE	STATUS	OVERVIEW PERF.OF TENDERER
SCMU 032/2012/2013	VUKANI PROJECTS	ADDITIONS, RENOV. AND CONSTRUCTION OF MUNICIPAL STORES	ONCE OFF	08/07/2013	960 000,00	15/07/2013	08/10/2013	COMPLETED	THE TENDERER'S PERFORM. WAS GOOD
2011 MGFDC27195769	CITY PARK TRADING 305 CC	KWAJOBE WATER RETICULATION PHASE 2	07 MONTHS	08/07/2013	14 482 690,53	18/08/2013	18/03/2014	ONGOING	ONGOING
SCMU 133/2012	MAFAHLENI ENGINEERS AND PROJECT MANAGERS	EXTENSION FOR THE RURAL ROADS ASSESSMENT AND MNGNT SERVICES		29/07/2013	2 101 000,00	29/07/2013	29/07/214	ONGOING	ONGOING
SCMU 033/2012/2013	UMNOTHO BUSINESS CONSULTING	INTERNAL AUDIT SERVICES	12 MONTHS	26/09/2013	1 095 000,00	01 OCT.2013	30/09/2014	ONGOING	ONGOING
SCMU 035/2012/2013	ICON CONSTRUCTION	SHEMULA WATER TREATMENT WORKS APPURTENENT CIVIL & STRUCT W	14 MONTHS	26/09/2013	43 824 344,11	14/10/2013	01/01/2015	ONGOING	ONGOING
SCMU043/2012/2013	ALPHEU ELECTRICAL BUILDING AND CIVIL CONS	INGWAVUMA PRISON ELECTRICAL UPGRADE	ONCE OFF	26/09/2013	749 999,60	28/10/2013	18/04/2014	COMPLETED	TENDERER'S PERFORM. WAS SATISFACTORY
SCMU 038/2012/2013	RAND WATER	WATER SERVICES BOARD	3 YEARS	26/09/2013	ON RISK	NEVER STARTED			NEVER STARTED
	TOYOTA SA MOTORS (PTY) LTD	SUPPLY AND DELIVERY OF MOTOR VEHICLES	ONCE OFF	19/09/2013	696 420,76			COMPLETED	COMPLETED
SCMU 018/2012/2013	MANUKUSI CONSTRUCTION (PTY) LTD	EXTENSION OF CONTRACT SCMU 018/2012/2013 CONS OF MDOLOMBA MLINE		26/09/2013	8 067 397,13	03 OCT.2013	24/04/2014	COMPLETED	PROJ. WAS COMPLETED ON TIME
	RENAISSANCE JOINT VENTURE	EXTENSION OF ISD SERVICES AT MPUKUYONI REMEDIAL WORK SCHEME		26/09/2013	600 000,00	26/09/2013	01/06/2014	COMPLETED	PROJ. WAS COMPLETED ON TIME
SCMU 001/2013/2014	CITY PARK TRADING 305 JV UMHLATHULZE CONTR	REFURBISHMENT AND REPLACEMENT OF COMP OF BETHESDA WWTW	12 WEEKS	16/10/2013	2 440 000,00			DISCONTINUED	TENDERER'S PERFORM WAS POOR
SCMU 003/2013/2014	MTHOBA CONSTRUCTION & TRADING	REFURBISHMENT AND REPLACEMENT OF COMP OF INGWAVUMA WWTW	12 WEEKS	16/10/2013	2 000 000,00			COMPLETED	COMPLETED
SCMU 002/2013/2014	TRUFIX INDUSTRIAL SERVICES CC	REFURBISHMENT AND REPLACEMENT OF COMP OF HLABISA WWTW	12 WEEKS	16/10/2013	2 247 490,00			DISCONTINUED	TENDERER'S PERFORM WAS VERY POOR
SCMU 137/2012	SOMKHANDA PLANT HIRE	MPUKUYONI CWSS REMEDIAL WORKS AND UPGRADE		15/11/2013	8 920 264,94		01/10/2014	ONGOING	ONGOING
SCMU 006/2012/2013	RURAL PUMPS (PTY) LTD	MAINTENANCE OF WATER SCHEMES AND EMERGENCY WORKS	3 MONTHS	2013-06-12		NEVER STARTED			NEVER STARTED
SCMU 008/2013/2014	KENYON ROCK WORK	RENDERING OF SECURITY SERVICES IN DC27	24 MONTHS	16/01/2014	6 542 454,00	01/02/2014	16/01/2016	ONGOING	ONGOING
SCMU 036/2012/2013	NESTLIFE ASSURANCE CORPORATION LTD	RENDERING OF MUNICIPAL EMPLOYEES RISK COVER		16/01/2014		NEVER STARTED			NEVER STARTED
SCMU 041/2012/2013	VEOLIA ICON JV	SHEMULA WATER TREATMENT WORKS PHASE 1B	12 MONTHS	16/01/2014	67 466 446,80	07/02/2014	01/03/2015	ONGOING	SATISFACTORY
SCMU 018/2013/2014	NDLOVU HOLDINGS AND CO.	DEVELOPMENT OF HR POLICY	03 MONTHS	29/01/2014	135 600,00	01/02/2014	30/05/2014	COMPLETED	THE PROJECT WAS SATISFACTORY
SCMU 007/2013/2014	EYETHU TRANSLODGE & PLANT HIRE	MKLUZE WATER TREATMENT WORKS	08 MONTHS	2014-05-02	31 140 328,92	01/04/2014	01/03/2015	ONGOING	THE PROJECT IS GOING SLOWLY
SCMU 017/2013/2014	MBUYI MANAGEMENT AND INVEST SOLUTIONS	ORGANIZATIONAL RE-ENGINEERING PROCESS	03 MONTHS	25/02/2014	298 000,00	31/03/2014	31/06/2014	ONGOING	THE TENDERER'S PERFORM. IS GOOD
SCMU 012/2013/2014	RENAISSANCE JOINT VENTURE	TRAINING FOR COMMUNITY WORKING ON CAPITAL PROJECTS	3 YEARS	25/02/2014				ONGOING	ONGOING
SCMU 020/2013/2014	BUSA CONSULTING	REVIEW AND DEVELOPMENT OF LED STRATEGY FOR UMKHANYAKUDE	06 MONTHS	25/02/2014	848 842,00	NEVER STARTED			NEVER STARTED
SCMU 016/2013/2014	SILOAM PEOPLE DEVELOPMENT AGENCY	CUSTOMER SATISFACTION SURVEY	04 MONTHS	2014-12-03	235 000,00	01/05/2014	30/09/2014	ONGOING	SATISFACTORY
SCMU 013/2013/2014	EMAKOZENI TRADING ENTERPRISE CC T/A HARVEY WORLD TRAVEL	RENDERING OF TRAVEL AGENT SERVICES	36 MONTHS	2014-12-03		13/02/2014	28/02/2017	ONGOING	THE TENDERER'S PERFORM. IS GOOD
SCMU 013/2013/2014	HRG SOUTH AFRICA T/A RENNIES TRAVEL (PTY) Ltd	RENDERING OF TRAVEL AGENT SERVICES	36 MONTHS	2014-12-02		13/02/2014	28/02/2017	ONGOING	THE TENDERER'S PERFORM. IS GOOD

**CHAPTER 6: CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2014  
ANNEXURE A**

**CHAPTER 7: AUDITOR GENERAL'S REPORT  
ANNEXURE B**

**7.1 AUDIT ACTION PLAN  
ANNEXURE C**

**ANNEXURE D: ANNUAL REPORT FOR UMHLOSINGA DEVELOPMENT AGENCY**

# **ANNEXURE A**

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**



**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Consolidated Annual Financial Statements  
for the year ended 30 June 2014**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## General Information

---

### Executive Committee

Cllr Vilane SJ ( Mayor)  
Cllr Swartz CG (Deputy Mayor)  
Cllr Mavimbela HGS (Speaker) - Ex Officio  
Cllr Nxumalo SH (Exco Member)  
Cllr Moodley GP (Exco Member)  
Cllr Zungu MC (Exco Member)

### Councillors

Cllr Gumbi DL  
Cllr Hlabisa VF  
Cllr Khumalo LV  
Cllr Khumalo SR  
Cllr Langa ML  
Cllr Mabuyakhulu PJ  
Cllr Mabika MS (Resigned)  
Cllr Mathenjwa M  
Cllr Mathonsi ZW  
Cllr Mdaka SF  
Cllr Mkhombo S (Appointed)  
Cllr Mkwanazi LX  
Cllr Mngomezulu BZ  
Cllr Mthethwa B  
Cllr Mthethwa SP  
Cllr Mthethwa TP  
Cllr Msane S  
Cllr Msweli MCF  
Cllr Ngema TN  
Cllr Nsele (Appointed)  
Cllr Nxumalo MW  
Cllr Nyawo I F (Appointed)  
Cllr Nyawo ZE  
Cllr Sangweni MB  
Cllr Tembe BT (Resigned)  
Cllr Zikhali AT

### Chief Financial Officer (CFO)

Dlamini M S

### Accounting Officer

Mzimela E M (01 April to date)

Dlamini M S (01 October 2013 to 31 March 2014)

Dubazana S N (01 July 2013 to September 2013)

### Business address

Harlingen No. 13433  
Kingfisher Road  
Mkuze  
3965

### Postal address

P.O. Box 449  
Mkuze

### Bankers

ABSA - Investment  
First National Bank - Current & Investment  
Nedbank - Investment  
Ithala Bank - Savings



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## General Information

---

**Auditors**

Auditor-General South Africa

**Legal Advisor**

Zungu S

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Index

---

The reports and statements set out below comprise the Annual Financial Statements presented to the Council and the Provincial Legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	6
Statement of Financial Position	7
Statement of Changes in Net Assets	9
Statement of Financial Performance	8
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 15
Accounting Policies	16 - 28
Notes to the Consolidated Annual Financial Statements	29 - 66
Appendix A: Schedule of External loans	67
Appendix B: Analysis of Property, Plant and Equipment	68
Appendix C: Segmental Analysis of Property, Plant and Equipment	74
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	75
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	76
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	76

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Index

---

### Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DC27	Umkhanykude District Municipality
FMG	Financial Management Grant
EPWP	Extended Public Works Programme
MSIG	Municipal Systems Infrastructure Grant
IMFO	Institute of Municipal Finance Officers
SALGA	South African Local Government Association
DORA	Division of Revenue Act
VAT	Value-Added Tax
GEPF	Government Employee Pension Fund
COGTA	Department of Co-operative Governance & Traditional Affairs
SCM	Supply Chain Management

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets systems for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The systems include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal financial control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 31 June 2014 and, in the light of this review and the current financial position, he is satisfied that the economic entity has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the municipality is a going concern and that Umkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors.

The consolidated annual financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by Council on 29 August 2014 and were signed on its behalf by:



---

Municipal Manager

29 August 2014

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rands	Note(s)	Economic entity		Controlling entity	
		2014	2013 Restated*	2014	2013 Restated*
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories	2	86 841 625	42 920 312	86 841 625	42 920 312
Receivables from exchange transactions	3	13 570 787	14 037 124	13 570 787	14 037 124
Other receivables from exchange transactions	4	2 546 098	53 003 731	2 504 650	52 162 283
VAT receivable	5	28 201 971	25 406 473	28 012 670	25 113 016
Cash and cash equivalents	6	15 094 663	143 590 576	11 378 076	141 756 771
		<b>146 255 144</b>	<b>278 958 216</b>	<b>142 307 808</b>	<b>275 989 506</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	7	1 476 040 680	1 242 720 968	1 474 995 592	1 241 566 559
Intangible assets	8	327 357	29 626	327 357	29 626
		<b>1 476 368 037</b>	<b>1 242 750 594</b>	<b>1 475 322 949</b>	<b>1 241 596 185</b>
<b>Total Assets</b>		<b>1 622 623 181</b>	<b>1 521 708 810</b>	<b>1 617 630 757</b>	<b>1 517 585 691</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Other current financial liabilities	9	9 682 103	1 787 596	9 682 103	1 787 596
Trade and other payables from exchange transactions	10	122 697 185	76 205 825	121 894 507	75 003 467
Taxes and transfers payable (non-exchange)		164 871	113 762	-	-
Consumer deposits	11	1 862 046	2 498 666	1 862 046	2 498 666
Unspent conditional grants and receipts	12	23 602 825	78 728 740	21 851 008	77 201 965
Non - current provisions	13	109 013	210 326	109 013	210 326
Current portion of borrowings	14	1 557 241	821 476	1 557 241	821 476
Current portion of finance lease liability	15	458 832	220 230	458 832	220 230
		<b>160 134 116</b>	<b>160 586 621</b>	<b>157 414 750</b>	<b>157 743 726</b>
<b>Non-Current Liabilities</b>					
Non - current provisions	13	4 079 987	3 259 674	4 079 987	3 259 674
Non - current borrowings	14	8 180 507	9 732 083	8 180 507	9 732 083
Non-current finance lease liability	15	425 193	172 771	425 193	172 771
		<b>12 685 687</b>	<b>13 164 528</b>	<b>12 685 687</b>	<b>13 164 528</b>
<b>Total Liabilities</b>		<b>172 819 803</b>	<b>173 751 149</b>	<b>170 100 437</b>	<b>170 908 254</b>
<b>NET ASSETS</b>		<b>1 449 803 378</b>	<b>1 347 957 661</b>	<b>1 447 530 320</b>	<b>1 346 677 437</b>
Accumulated surplus	46	1 449 803 378	1 347 957 661	1 447 530 320	1 346 677 437

\* See Note 33

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rands	Note(s)	Economic entity		Controlling entity	
		2014	2013 Restated*	2014	2013 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	16	43 573 187	41 939 959	43 573 187	41 939 959
Rental of facilities and equipment	18	106 871	103 940	106 871	103 940
Interest received - investment & current bank accounts	19	6 842 770	12 679 849	6 708 719	12 524 641
Interest received - outstanding receivables	20	4 462 481	1 538 146	4 462 481	1 538 146
Other income	21	2 078 013	1 055 715	2 035 531	679 842
<b>Revenue from non-exchange transactions</b>					
Government grants & subsidies	17	515 350 291	455 125 424	514 225 333	450 554 429
<b>Total revenue</b>		<b>572 413 613</b>	<b>512 443 033</b>	<b>571 112 122</b>	<b>507 340 957</b>
<b>Expenditure</b>					
Employee Related Costs	22	(111 915 496)	(72 699 615)	(109 914 639)	(70 538 249)
Bad Debts	23	(21 105 575)	-	(21 105 575)	-
Remuneration of Councillors	24	(6 953 469)	(6 243 791)	(6 953 469)	(6 243 791)
Depreciation and Amortisation	25	(28 292 736)	(21 108 687)	(28 109 220)	(21 016 200)
Impairment loss/ Reversal of Impairments	26	(15 371 559)	(34 953 792)	(15 371 559)	(34 953 792)
Finance Costs	27	(1 030 069)	(1 125 619)	(977 908)	(1 065 933)
Repairs and Maintenance	28	(36 275 583)	(21 841 737)	(36 270 006)	(21 799 371)
Bulk Purchases	29	(77 569 516)	(76 267 575)	(77 569 516)	(76 267 575)
Contracted Services	30	(34 368 877)	(7 576 847)	(34 368 877)	(7 576 847)
General Expenses	31	(137 633 893)	(90 830 323)	(139 618 456)	(88 786 088)
<b>Total expenditure</b>		<b>(470 516 773)</b>	<b>(332 647 986)</b>	<b>(470 259 225)</b>	<b>(328 247 846)</b>
<b>Operating surplus</b>		<b>101 896 840</b>	<b>179 795 047</b>	<b>100 852 897</b>	<b>179 093 111</b>
<b>Surplus before taxation</b>		<b>101 896 840</b>	<b>179 795 047</b>	<b>100 852 897</b>	<b>179 093 111</b>
Taxation		51 109	52 642	-	-
<b>Surplus for the year</b>		<b>101 845 731</b>	<b>179 742 405</b>	<b>100 852 897</b>	<b>179 093 111</b>

\* See Note 33

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Economic entity</b>		
Opening balance as previously reported	1 264 142 536	1 264 142 536
Adjustments		
Correction of errors	(38 991 555)	(38 991 555)
<b>Balance at 01 July 2012 as restated*</b>	<b>1 225 150 981</b>	<b>1 225 150 981</b>
Changes in net assets		
Surplus for the year	179 742 405	179 742 405
Other 1	(56 935 725)	(56 935 725)
Total changes	122 806 680	122 806 680
<b>Restated* Balance at 01 July 2013</b>	<b>1 347 957 647</b>	<b>1 347 957 647</b>
Changes in net assets		
Surplus for the year	101 845 731	101 845 731
Total changes	101 845 731	101 845 731
<b>Balance at 30 June 2014</b>	<b>1 449 803 378</b>	<b>1 449 803 378</b>
Note(s)		
<b>Controlling entity</b>		
Opening balance as previously reported	1 263 511 606	1 263 511 606
Adjustments		
Correction of prior period errors (refer to note 33)	(38 991 555)	(38 991 555)
<b>Balance at 01 July 2012 as restated*</b>	<b>1 224 520 051</b>	<b>1 224 520 051</b>
Changes in net assets		
Surplus for the 12 months	179 093 111	179 093 111
Correction of prior period errors (refer to note 33)	(56 935 725)	(56 935 725)
Total changes	122 157 386	122 157 386
<b>Restated* Balance at 01 July 2013</b>	<b>1 346 677 423</b>	<b>1 346 677 423</b>
Changes in net assets		
Surplus for the year	100 852 897	100 852 897
Total changes	100 852 897	100 852 897
<b>Balance at 30 June 2014</b>	<b>1 447 530 320</b>	<b>1 447 530 320</b>

\* See Note 33

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rands	Note(s)	Economic entity		Controlling entity	
		2014	2013 Restated*	2014	2013 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		43 573 187	41 939 959	43 573 187	41 939 959
Grants		460 898 949	455 125 424	459 773 991	430 790 043
Interest income		6 842 770	12 679 849	2 203 647	12 524 641
Other receipts		972 693	1 389 562	796 160	103 940
		<u>512 287 599</u>	<u>511 134 794</u>	<u>506 346 985</u>	<u>485 358 583</u>
<b>Payments</b>					
Employee costs		(111 915 496)	(77 174 869)	(108 215 481)	(55 093 133)
Suppliers		(273 842 609)	(285 635 565)	(277 786 819)	(84 079 375)
Finance costs		(1 030 069)	(1 125 619)	(977 908)	(1 065 933)
Interest paid		-	-	-	-
Taxes on surpluses		(51 109)	(52 642)	-	-
		<u>(386 839 283)</u>	<u>(363 988 695)</u>	<u>(386 980 208)</u>	<u>(140 238 441)</u>
<b>Net cash flows from operating activities</b>	32	<b><u>125 448 316</u></b>	<b><u>147 146 099</u></b>	<b><u>119 366 777</u></b>	<b><u>345 120 142</u></b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	7	(262 349 353)	(192 682 086)	(262 275 158)	(191 906 262)
Proceeds from sale of property, plant and equipment	7	835 404	11 047	835 404	-
Purchase of other intangible assets	8	-	-	(397 523)	-
<b>Net cash flows from investing activities</b>		<b><u>(261 513 949)</u></b>	<b><u>(192 671 039)</u></b>	<b><u>(261 837 277)</u></b>	<b><u>(191 906 262)</u></b>
<b>Cash flows from financing activities</b>					
Repayment of other current financial liabilities		7 894 507	1 787 596	7 894 507	8 384 684
Movement in non - current borrowings		(815 811)	10 553 559	(815 811)	(843 974)
Movement in non-current finance lease liability		252 422	172 771	252 422	(274 932)
Movement in non-current finance lease liability		238 602	220 230	238 602	-
Movement in receivables from non-exchange transactions		-	-	-	3 108 740
Interest income		-	-	4 522 085	-
<b>Net cash flows from financing activities</b>		<b><u>7 569 720</u></b>	<b><u>12 734 156</u></b>	<b><u>12 091 805</u></b>	<b><u>10 374 518</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b><u>(128 495 913)</u></b>	<b><u>(32 790 784)</u></b>	<b><u>(130 378 695)</u></b>	<b><u>64 252 800</u></b>
Cash and cash equivalents at the beginning of the year		143 590 576	176 381 360	141 756 771	77 503 971
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>15 094 663</u></b>	<b><u>143 590 576</u></b>	<b><u>11 378 076</u></b>	<b><u>141 756 771</u></b>

\* See Note 33



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	-	-	-	43 573 187	<b>43 573 187</b>	
Rental of facilities and equipment	165 000	(35 000)	<b>130 000</b>	106 871	<b>(23 129)</b>	Explanations of variances refer to Appendix E1.
Interest received - Outstanding Receivables	-	-	-	4 462 481	<b>4 462 481</b>	Explanations of variances refer to Appendix E1.
Other income	37 240 000	9 745 000	<b>46 985 000</b>	2 078 013	<b>(44 906 987)</b>	Explanations of variances refer to Appendix E1.
Interest received - investment	12 870 000	(2 870 000)	<b>10 000 000</b>	6 842 770	<b>(3 157 230)</b>	Explanations of variances refer to Appendix E1.
<b>Total revenue from exchange transactions</b>	<b>50 275 000</b>	<b>6 840 000</b>	<b>57 115 000</b>	<b>57 063 322</b>	<b>(51 678)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Government grants & subsidies	221 420 000	250 000	<b>221 670 000</b>	515 350 291	<b>293 680 291</b>	Explanations of variances refer to Appendix E1.
<b>Total revenue</b>	<b>271 695 000</b>	<b>7 090 000</b>	<b>278 785 000</b>	<b>572 413 613</b>	<b>293 628 613</b>	
<b>Expenditure</b>						
Personnel	(121 463 000)	11 181 000	<b>(110 282 000)</b>	(111 915 496)	<b>(1 633 496)</b>	
Remuneration of councillors	(10 354 000)	(552 000)	<b>(10 906 000)</b>	(6 953 469)	<b>3 952 531</b>	
Depreciation and amortisation	(33 414 000)	(2 000 000)	<b>(35 414 000)</b>	(28 292 736)	<b>7 121 264</b>	Explanations of variances refer to Appendix E1.
Impairment loss/ Reversal of impairments	-	-	-	(15 371 559)	<b>(15 371 559)</b>	Explanations of variances refer to Appendix E1.
Finance costs	-	-	-	(1 030 069)	<b>(1 030 069)</b>	Explanations of variances refer to Appendix E1.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
Debt impairment	(18 557 000)	(2 109 000)	<b>(20 666 000)</b>	(21 105 575)	<b>(439 575)</b>	Explanations of variances refer to Appendix E1
Repairs and maintenance	(26 326 000)	(3 523 000)	<b>(29 849 000)</b>	(36 275 583)	<b>(6 426 583)</b>	Explanations of variances refer to Appendix E1
Bulk purchases	(51 449 000)	(2 066 000)	<b>(53 515 000)</b>	(77 569 516)	<b>(24 054 516)</b>	Explanations of variances refer to Appendix E1
Contracted Services	(21 660 000)	(3 291 000)	<b>(24 951 000)</b>	(34 368 877)	<b>(9 417 877)</b>	Explanations of variances refer to Appendix E1
General Expenses	(47 015 000)	(37 443 000)	<b>(84 458 000)</b>	(137 633 893)	<b>(53 175 893)</b>	Explanations of variances refer to Appendix E1
<b>Total expenditure</b>	<b>(330 238 000)</b>	<b>(39 803 000)</b>	<b>(370 041 000)</b>	<b>(470 516 773)</b>	<b>(100 475 773)</b>	
<b>Surplus before taxation</b>	<b>(58 543 000)</b>	<b>(32 713 000)</b>	<b>(91 256 000)</b>	<b>101 896 840</b>	<b>193 152 840</b>	
Taxation	-	-	-	51 109	<b>51 109</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(58 543 000)</b>	<b>(32 713 000)</b>	<b>(91 256 000)</b>	<b>101 845 731</b>	<b>193 101 731</b>	
<b>Reconciliation</b>						

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	42 434 000	-	<b>42 434 000</b>	43 573 187	<b>1 139 187</b>	Explanations of variances refer to Appendix E1.
Rental of facilities and equipment	165 000	(35 000)	<b>130 000</b>	106 871	<b>(23 129)</b>	Explanations of variances refer to Appendix E1.
Interest received - Outstanding Debtors	-	-	-	4 462 481	<b>4 462 481</b>	Explanations of variances refer to Appendix E1.
Other income	36 270 000	9 745 000	<b>46 015 000</b>	2 035 531	<b>(43 979 469)</b>	Explanations of variances refer to Appendix E1.
Interest recieved - investment	12 870 000	(2 870 000)	<b>10 000 000</b>	6 708 719	<b>(3 291 281)</b>	Explanations of variances refer to Appendix E1.
<b>Total revenue from exchange transactions</b>	<b>91 739 000</b>	<b>6 840 000</b>	<b>98 579 000</b>	<b>56 886 789</b>	<b>(41 692 211)</b>	
<b>Revenue from non-exchange transactions</b>						
Government grants & subsidies	218 530 000	250 000	<b>218 780 000</b>	514 225 333	<b>295 445 333</b>	Explanations of variances refer to Appendix E1.
<b>Total revenue</b>	<b>310 269 000</b>	<b>7 090 000</b>	<b>317 359 000</b>	<b>571 112 122</b>	<b>253 753 122</b>	
<b>Expenditure</b>						
Employee Related Costs	(118 630 000)	11 181 000	<b>(107 449 000)</b>	(109 914 639)	<b>(2 465 639)</b>	Explanations of variances refer to Appendix E1.
Remuneration of councillors	(10 354 000)	(552 000)	<b>(10 906 000)</b>	(6 953 469)	<b>3 952 531</b>	Explanations of variances refer to Appendix E1.
Depreciation and amortisation	(33 414 000)	(2 000 000)	<b>(35 414 000)</b>	(28 109 220)	<b>7 304 780</b>	Explanations of variances refer to Appendix E1.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
Debt Impairments	(18 557 000)	(2 109 000)	<b>(20 666 000)</b>	(15 371 559)	<b>5 294 441</b>	Explanations of variances refer to Appendix E1.
Finance costs	-	-	-	(977 908)	<b>(977 908)</b>	Explanations of variances refer to Appendix E1.
Debt impairment	-	-	-	(21 105 575)	<b>(21 105 575)</b>	
Repairs and maintenance	(26 032 000)	(3 523 000)	<b>(29 555 000)</b>	(36 270 006)	<b>(6 715 006)</b>	Explanations of variances refer to Appendix E1.
Bulk purchases	(51 449 000)	(2 066 000)	<b>(53 515 000)</b>	(77 569 516)	<b>(24 054 516)</b>	Explanations of variances refer to Appendix E1.
Contracted Services	(21 660 000)	(3 291 000)	<b>(24 951 000)</b>	(34 368 877)	<b>(9 417 877)</b>	Explanations of variances refer to Appendix E1.
Grants and Subsidies Paid	(3 169 000)	(8 867 000)	<b>(12 036 000)</b>	-	<b>12 036 000</b>	Explanations of variances refer to Appendix E1.
General Expenses	(27 004 000)	(28 576 000)	<b>(55 580 000)</b>	(139 618 456)	<b>(84 038 456)</b>	Explanations of variances refer to Appendix E1.
<b>Total expenditure</b>	<b>(310 269 000)</b>	<b>(39 803 000)</b>	<b>(350 072 000)</b>	<b>(470 259 225)</b>	<b>(120 187 225)</b>	
<b>(Surplus)/Deficit</b>	<b>-</b>	<b>(32 713 000)</b>	<b>(32 713 000)</b>	<b>100 852 897</b>	<b>133 565 897</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>(32 713 000)</b>	<b>(32 713 000)</b>	<b>100 852 897</b>	<b>133 565 897</b>	

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments
Figures in Rand						
<b>Capital expenditure for the year ended 30 June 2014</b>						
Capital Expenditure	241 505 000	71 321 000	<b>312 826 000</b>	263 819 189	<b>(49 006 811)</b>	Projects still committed and rolled over to the next year.
<b>NET ASSETS</b>	<b>241 505 000</b>	<b>71 321 000</b>	<b>312 826 000</b>	<b>263 819 189</b>	<b>(49 006 811)</b>	

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
GRAP 21	Impairment of non cash generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of budget information in financial statements
GRAP 26	Impairment of cash-generating assets
GRAP 104	Financial instruments
GRAP 102	Intangible Assets

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been nearly adopted by the Municipality:

Standard of GRAP

		Qualitative Impact	Quantitative Impact
GRAP 18	Segment Reporting	None	None
GRAP 20	Related party Disclosures	None	None
GRAP 25	Employee Benefits	None	None
GRAP 27	Agriculture	None	None
GRAP 31	Intangible Assets	None	None
GRAP 32	Service Concession Arrangements: Grantor	None	None
GRAP 105	Transfers of functions between entities under common control	None	None
GRAP 106	Transfer of functions between entities not under common control	None	None
GRAP 107	Mergers	None	None
GRAP 108	Statutory Receivables	None	None
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue	None	None
IGRAP 16	Website Costs	None	None

#### 1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

### 1.3 Consolidation

#### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management may be required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of assets.  
Provision for long service awards.  
Useful lives and residual values of property, plant, and equipment.  
Water and electricity losses.  
Impairment of assets.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land shall be recorded in the municipality's fixed asset register at is carried at cost

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Infrastructure	
• Electricity	25 – 50
• Water	25 – 55
• Sewerage	25 – 60



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

#### Community

• Buildings	30
• Airport	20
• Security measures	5

#### Intangible Assets

• Computer software	3 – 5
---------------------	-------

#### Other Assets

• Emergency equipment	15
• Furniture and fittings	7 - 10
• Computer equipment	5
• Motor vehicles	7 - 10
• Plant and equipment	2 -10
• Office equipment	5
• Office machines	3 - 5
• Telecommunication	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Intangible assets

Intangible assets are initially recognised at cost.

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.6 Intangible assets (continued)

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.7 Financial instruments

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the economic entity's accounting policy for borrowing costs.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.8 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Capital Expenditure

Capital Expenditure are initially measured at cost except where capital expenditure are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently capital expenditure are measured at the lower of cost and net realisable value.

Capital Expenditure are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of capital expenditure comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the capital expenditure to their present location and condition.

The cost of capital expenditure of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of capital expenditure is assigned using the weighted average cost formula. The same cost formula is used for all capital expenditure having a similar nature and use to the economic entity.

When capital expenditure are sold, the carrying amounts of those capital expenditure are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of capital expenditure to net realisable value or current replacement cost and all losses of capital expenditure are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of capital expenditure, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of capital expenditure recognised as an expense in the period in which the reversal occurs.

As at 30 June 2014 the municipality have inventory comprised of materials (i.e. water pipes not underground as yet); and water (i.e quantity of water on hand as at 30 June 2014).

### 1.10 Impairment of assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Impairment of assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### 1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.11 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.12 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, Kwazulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

### 1.13 Provisions, contingencies and commitments

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.13 Provisions, contingencies and commitments (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 40.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Commitment is referred to as the intention to commit to an outflow from the municipality's resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. A municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.14 Revenue from exchange transactions (continued)

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

### 1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remits grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.23 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The economic entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.25 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2013 to 30 June 2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.26 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.27 Changes accounting estimates and judgements

The municipality makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### 1.26.1 Assets Useful Lives

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.27 Changes accounting estimates and judgements (continued)

Plant and equipment is depreciated over its useful life . The actual useful lives of the assets are assessed annually and vary depending on a number of factors. In reassessing the assets' useful lives, factors such as technological innovation and maintenance programmes are taken into account.

### 1.28 Presentation of currency

These annual financial statements are presented in South African Rand.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>2. Inventories</b>				
Materials	86 736 472	42 857 798	86 736 472	42 857 798
Water	105 153	62 514	105 153	62 514
	<b>86 841 625</b>	<b>42 920 312</b>	<b>86 841 625</b>	<b>42 920 312</b>
<b>3. TRADE &amp; OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>				
<b>Gross balances</b>				
Electricity	2 812 135	2 629 037	2 812 135	2 629 037
Water	147 479 800	134 393 306	147 479 800	134 393 306
Sewerage	8 007 385	8 007 385	9 236 273	8 007 385
	<b>158 299 320</b>	<b>145 029 728</b>	<b>159 528 208</b>	<b>145 029 728</b>
<b>Less: Allowance for impairment</b>				
Electricity	(151 363 209)	(135 991 650)	(2 559 252)	(1 787 468)
Water	(140 411 354)	(126 682 140)	(140 411 354)	(126 682 140)
Sewerage	(8 392 603)	(7 522 042)	(8 392 603)	(7 522 042)
	<b>(300 167 166)</b>	<b>(270 195 832)</b>	<b>(151 363 209)</b>	<b>(135 991 650)</b>
<b>Net balance</b>				
Electricity	252 883	841 569	252 883	841 569
Water	7 068 446	7 711 166	7 068 446	7 711 166
Sewerage	843 670	485 343	843 670	485 343
Debtors Prepayments	5 405 788	4 999 046	5 405 788	4 999 046
	<b>13 570 787</b>	<b>14 037 124</b>	<b>13 570 787</b>	<b>14 037 124</b>
<b>Electricity, Water and Sewerage: Ageing</b>				
Current (0 -30 days)	2 341 488	(2 735 823)	2 341 488	(2 735 823)
31 - 60 days	5 344 529	2 733 941	5 344 529	2 733 941
61 - 90 days	6 086 495	2 396 802	6 086 495	2 396 802
91 - 120 days	3 496 196	2 424 174	3 496 196	2 424 174
121+ days	141 809 502	140 210 634	141 809 502	140 210 634
	<b>159 078 210</b>	<b>145 029 728</b>	<b>159 078 210</b>	<b>145 029 728</b>
<b>Electricity</b>				
Current (0 -30 days)	245 642	239 988	245 642	239 988
31 - 60 days	77 632	75 845	77 632	75 845
61 - 90 days	77 771	75 981	77 771	75 981
91 - 120 days	39 196	38 294	39 196	38 294
121+ days	2 371 894	2 198 929	2 371 894	2 198 929
	<b>2 812 135</b>	<b>2 629 037</b>	<b>2 812 135</b>	<b>2 629 037</b>
<b>Water</b>				
Current (0 -30 days)	950 076	(2 573 725)	950 076	(2 573 725)
31 - 60 days	5 198 598	2 591 369	5 198 598	2 591 369
61 - 90 days	5 943 553	2 257 150	5 943 553	2 257 150
91 - 120 days	3 391 118	2 321 513	3 391 118	2 321 513
121+ days	131 546 457	129 796 998	131 546 457	129 796 998
	<b>147 029 802</b>	<b>134 393 305</b>	<b>147 029 802</b>	<b>134 393 305</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

#### Sewerage

Current (0 -30 days)	411 559	(402 086)	411 559	(402 086)
31 - 60 days	68 299	66 727	68 299	66 727
61 - 90 days	65 171	63 671	65 171	63 671
91 - 120 days	65 882	64 366	65 882	64 366
121+ days	8 625 362	8 214 708	8 625 362	8 214 708
	<b>9 236 273</b>	<b>8 007 386</b>	<b>9 236 273</b>	<b>8 007 386</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>3. TRADE &amp; OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0 -30 days)	402 660	406 951	402 660	406 951
31 - 60 days	2 720 391	2 749 384	2 720 391	2 749 384
61 - 90 days	1 623 174	1 640 473	1 623 174	1 640 473
91 - 120 days	1 541 191	1 557 616	1 541 191	1 557 616
121+ days	124 647 993	111 020 000	124 647 993	111 020 000
	<u>130 935 409</u>	<u>117 374 424</u>	<u>130 935 409</u>	<u>117 374 424</u>
Less: Allowance for impairment	(130 589 301)	(116 075 013)	(130 589 301)	(116 075 013)
	<u><b>346 108</b></u>	<u><b>1 299 411</b></u>	<u><b>346 108</b></u>	<u><b>1 299 411</b></u>
<b>Industrial/ commercial</b>				
Current (0 -30 days)	(465 851)	(470 816)	(465 851)	(470 816)
31 - 60 days	1 566 808	1 583 506	1 566 808	1 583 506
61 - 90 days	338 420	342 027	338 420	342 027
91 - 120 days	257 021	259 760	257 021	259 760
121+ days	19 934 780	20 147 236	19 934 780	20 147 236
	<u>21 631 178</u>	<u>21 861 713</u>	<u>21 631 178</u>	<u>21 861 713</u>
Less: Allowance for impairment	(20 773 908)	(19 916 637)	(20 773 908)	(19 916 637)
	<u><b>857 270</b></u>	<u><b>1 945 076</b></u>	<u><b>857 270</b></u>	<u><b>1 945 076</b></u>
<b>National and provincial government</b>				
Current (0 -30 days)	326 946	(330 430)	326 946	(330 430)
31 - 60 days	1 309 942	1 323 903	1 309 942	1 323 903
61 - 90 days	409 934	414 303	409 934	414 303
91 - 120 days	600 398	606 797	600 398	606 797
121+ days	3 864 403	8 778 062	3 864 403	8 778 062
	<u><b>6 511 623</b></u>	<u><b>10 792 635</b></u>	<u><b>6 511 623</b></u>	<u><b>10 792 635</b></u>
<b>Total Debtors</b>				
Current (0 -30 days)	2 341 488	(394 295)	2 341 488	(394 295)
31 - 60 days	5 344 529	5 656 794	5 344 529	5 656 794
61 - 90 days	6 086 495	2 396 802	6 086 495	2 396 802
91 - 120 days	3 496 196	2 424 174	3 496 196	2 424 174
121+ days	142 259 502	139 945 299	142 259 502	139 945 299
	<u><b>159 528 210</b></u>	<u><b>150 028 774</b></u>	<u><b>159 528 210</b></u>	<u><b>150 028 774</b></u>
<b>Less: Allowance for impairment</b>				
Current (0 -30 days)	(1 999 763)	-	(1 999 763)	-
31 - 60 days	(2 162 195)	(2 291 979)	(2 162 195)	(2 291 979)
61 - 90 days	(1 895 553)	(2 478 146)	(1 895 553)	(2 478 146)
91 - 120 days	(3 496 196)	(2 172 550)	(3 496 196)	(2 172 550)
121+ days	(141 809 502)	(129 048 975)	(141 809 502)	(129 048 975)
	<u><b>(151 363 209)</b></u>	<u><b>(135 991 650)</b></u>	<u><b>(151 363 209)</b></u>	<u><b>(135 991 650)</b></u>
<b>Total</b>				
Current (0 -30 days)	341 725	3 857 242	341 725	3 857 242
31 - 60 days	3 182 334	10 179 882	3 182 334	10 179 882
61 - 90 days	10 046 728	-	10 046 728	-
	<u><b>13 570 787</b></u>	<u><b>14 037 124</b></u>	<u><b>13 570 787</b></u>	<u><b>14 037 124</b></u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>3. TRADE &amp; OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>				
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	135 991 650	124 907 693	135 991 650	124 907 693
Contributions to allowance	31 083 436	28 422 206	31 083 436	28 422 206
Debt impairment written off against allowance	(15 711 876)	(17 338 249)	(15 711 876)	(17 338 249)
	<b>151 363 210</b>	<b>135 991 650</b>	<b>151 363 210</b>	<b>135 991 650</b>

### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due (2014) 1 month past due (2013) are not considered to be impaired. At 30 June 2014, R 7 714 993 (2013: R 10 179 882) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	-	341 725	3 857 242
2 months past due	-	-	3 182 334	10 179 882
3 months past due	-	-	10 046 728	-

### Consumer debtors impaired

As of 30 June 2014, consumer debtors of R 159 078 210 - (2013: R 150 028 774) were impaired and provided for.

The amount of the provision was R 151 363 210 as of 30 June 2014 (2013: R 135 991 650).

### 4. Loan to Umhlabuyalingana

Avis loan - Mthombeni LM	242 792	242 792	242 792	242 792
Debtor Fraud	3 805 917	3 805 917	3 805 917	3 805 917
Debtor Shemula	2 730	2 730	2 730	2 730
Housing loans	-	-	-	-
Loan to Umhlabuyalingana	108 762	108 762	108 762	108 762
Ocliwane Water	1 553 317	1 553 317	1 553 317	1 553 317
Other Debtors	1 264 245	3 841 391	1 222 797	2 999 943
Pre - Paid Expense	9 248 582	51 735 370	9 248 582	51 735 370
Public contributions and subsidies	1 166 289	1 166 289	1 166 289	1 166 289
Sundry Debtors - Water Mtuba	4 022 951	4 022 951	4 022 951	4 022 951
Sundry Debtors - Umhlathuze Water	345 633	345 633	345 633	345 633
Vehicle loans	69 939	69 939	69 939	69 939
Provision for Bad Debts	(19 285 059)	(13 891 360)	(19 285 059)	(13 891 360)
	<b>2 546 098</b>	<b>53 003 731</b>	<b>2 504 650</b>	<b>52 162 283</b>

### Concessionary Loans

#### Vehicle Loan

A vehicle was bought by the municipality on behalf of a councillor. The agreement was the instalment would be deducted on the salary. Mr Sibanda failed to settle the balance of R69 939.34 that is still reflecting in the municipality's financial statements.

#### Avis Loan LM Mthombeni

A vehicle was bought by the municipality on behalf of a councillor. The agreement was the instalment would be deducted on the salary. Mr LM Mthombeni failed to settle the balance of R242 792 that is still reflecting in the municipality's financial statements.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

#### 4. Loan to Umhlabuyalingana (continued)

##### Other Loan Disclosure

##### Loan to Umhlabuyalingana

The loan was granted by the UMkhanyakude council to UMhlabuyalingana Local Municipality under the local authorities loan fund act, 1984 act no 67 of 1984. This was granted for the period of two years starting on the 02/12/2009 to the 30/11/2011. The loan was granted for the purpose of re-instatement of Disaster services contract. The capital portion of the loan from time to time will bear interest at the prime bank rate. The balance of R 108 672 disclosed in the financial statement of UMkhanyakude is the interest portion that has been carried forward for the past five years where as the capital portion was settled at prescribed period of time.

#### 5. VAT receivable

VAT	28 201 971	25 406 473	28 012 670	25 113 016
-----	------------	------------	------------	------------

VAT claimed to SARS is on payments basis. Amount claimable to SARS is disclosed in the VAT control account where the VAT 201s and VAT refunds are offset and the amount due or payable to SARS is disclosed.

VAT Input Accrual represents VAT that is receivable that accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS. VAT Output Accrual represents VAT payable accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS which is VAT payable.

##### VAT

VAT Control	26 010 260	25 113 016	25 820 959	25 113 016
VAT Input Accrual	9 652 186	-	9 652 186	-
VAT Output Accrual	(7 460 474)	-	(7 460 474)	-
	<b>28 201 972</b>	<b>25 113 016</b>	<b>28 012 671</b>	<b>25 113 016</b>

#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	22 050	14 582	19 494	13 526
Bank balances	10 833 648	12 278 272	10 709 113	11 600 969
Other cash and cash equivalents	4 238 965	131 297 722	649 469	130 142 276
	<b>15 094 663</b>	<b>143 590 576</b>	<b>11 378 076</b>	<b>141 756 771</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA BANK - Mkuze Branch Account Number : 4053107423	6 845 143	154 281	23 100 171	6 845 143	154 281	23 100 171
First National Bank - Mkuze Branch Account Number : 62026865321	2 747 271	10 432 174	27 402 772	2 747 271	10 432 174	27 402 772
First National Bank - Mkuze Branch Account Number : 62092993809	539 141	520 440	505 714	539 141	520 440	505 714
First National Bank - Mkuze Branch Account Number : 62027696478	84 366	82 207	81 043	84 366	82 207	81 043
Nedbank Fixed Deposit - Branch Account Number 7881085762	-	96 627 046	-	-	96 627 046	-
Ithala Bank - Mkuze Branch Account Number - 23247671	480 047	411 844	324 453	480 047	411 844	324 453
ABSA BANK - Call Account Number : 91-1531-5268	380 805	346 989	-	380 805	346 989	-
First National Bank - Call Account Number : 62309788498	240 848	2 879 352	-	240 848	2 879 352	-
FNB Business Fixed Maturity - 74298425031	-	30 261 370	-	-	30 261 370	-
FNB Money Market Transactor - 62263733258	27 816	27 542	27 270	27 816	27 542	27 270
Call Investments	-	-	26 049 520	-	-	26 049 520
Nedbank Account (Umhlosinga) 9200378551	124 532	655 620	35 993	124 532	655 620	35 993
ABSA Bank (Umhlosinga) - Credit Card 5474710050194018	-	-	15 283	-	-	15 283
ABSA Bank (Umhlosinga) - Call Account 9236199818	-	21 683	1 042	-	21 683	1 042
Nedbank Investment Account - 36990525	3 589 496	1 155 446	660 525	3 589 496	1 155 446	660 525
<b>Total</b>	<b>15 059 465</b>	<b>143 575 994</b>	<b>78 203 786</b>	<b>15 059 465</b>	<b>143 575 994</b>	<b>78 203 786</b>



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 7. Property, plant and equipment

Economic entity	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(8 893 115)	26 981 903	35 878 244	(7 494 131)	28 384 113
Infrastructure	748 837 733	(80 901 632)	667 936 101	740 596 995	(58 854 155)	681 742 840
Other property, plant and equipment	37 840 081	(14 771 629)	23 068 452	31 869 116	(11 103 867)	20 765 249
Assets Under Construction	755 874 329	-	755 874 329	510 334 358	-	510 334 358
Leased Assets	1 737 323	(714 678)	1 022 645	887 714	(550 556)	337 158
<b>Total</b>	<b>1 581 321 734</b>	<b>(105 281 054)</b>	<b>1 476 040 680</b>	<b>1 320 723 677</b>	<b>(78 002 709)</b>	<b>1 242 720 968</b>

Controlling entity	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 157 250	-	1 157 250	1 157 250	-	1 157 250
Buildings	35 875 018	(8 893 115)	26 981 903	35 878 244	(7 494 131)	28 384 113
Infrastructure	748 837 733	(80 901 632)	667 936 101	740 596 995	(58 854 155)	681 742 840
Other property, plant and equipment	37 190 141	(14 715 133)	22 475 008	31 145 604	(11 083 120)	20 062 484
Assets Under Construction	755 422 685	-	755 422 685	509 882 714	-	509 882 714
Leased Assets	1 737 323	(714 678)	1 022 645	887 714	(550 556)	337 158
<b>Total</b>	<b>1 580 220 150</b>	<b>(105 224 558)</b>	<b>1 474 995 592</b>	<b>1 319 548 521</b>	<b>(77 981 962)</b>	<b>1 241 566 559</b>

### Reconciliation of property, plant and equipment - Economic entity - 2014

	Opening balance	Additions	Newly identified assets at fair value	Disposals	Transfers	Depreciation	Impairment loss
Land	1 157 250	-	-	-	-	-	-
Buildings	28 384 113	-	-	(2 574)	-	(1 351 927)	(47 700)
Infrastructure	681 742 840	-	-	(730 943)	9 647 734	(20 680 219)	(2 043 310)
Other property, plant and equipment	20 765 249	4 879 361	1 239 371	1 292	-	(3 673 574)	(143 240)
Assets Under Construction	510 334 358	255 187 705	-	-	(9 647 734)	-	-
Leased Assets	337 158	1 042 916	-	(103 179)	-	(254 250)	-
<b>Total</b>	<b>1 242 720 968</b>	<b>261 109 982</b>	<b>1 239 371</b>	<b>(835 404)</b>	<b>-</b>	<b>(25 959 970)</b>	<b>(2 234 260)</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Land	1 157 250	-	-	-	-	1 157 250
Buildings	29 636 324	-	-	(1 252 211)	-	28 384 113
Infrastructure	697 022 738	1 166 986	-	(15 259 144)	(1 187 740)	681 742 840
Other property, plant and equipment	8 721 233	15 196 560	(11 047)	(2 449 626)	(691 871)	20 765 249
Assets Under Construction	334 015 818	176 318 540	-	-	-	510 334 358
Leased Assets	593 229	-	-	(256 071)	-	337 158
	<b>1 071 146 592</b>	<b>192 682 086</b>	<b>(11 047)</b>	<b>(19 217 052)</b>	<b>(1 879 611)</b>	<b>1 242 720 968</b>

Fixed assets register is held at the municipal premises (refer to Appendix B for more detail on property, plant and equipment).

During 2013/14 financial year, the following assets were not found during the physical verification exercise which were subsequently written-off and removed from our fixed assets register and property, plant and equipment:

Infrastructure Assets	1 410 221	-	1 410 221	-
Movable	403 801	-	403 801	-
	<b>1 814 022</b>	<b>-</b>	<b>1 814 022</b>	<b>-</b>

There is a Council Resolution in this regard.

During physical verification of fixed assets exercise for 2013/14 financial year, movable and immovable assets amounted to R5 310 405.16 were discovered on site and included in the fixed assets register and property, plant and equipment at fair value by Council Resolution. Subsequently, the fair value adjustment was processed as income in the Statement of Financial Performance.

#### Change in Accounting Estimate

GRAP17: Property, Plant and Equipment requires that the review of the remaining useful life of an item of property, plant and equipment to be conducted at least each financial year end. Such review has been completed and the following results were achieved:

Based on the condition assessment carried out during the physical verification, the remaining useful lives of 14 237 assets were adjusted in accordance with the "Local Government Capital Asset Management Guideline" as issued by National Treasury.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2014 financial period has increased by R5,268,449.25 from R20,508,004.00 to R25,776,453.26, should circumstances remain unchanged, the effect on future period's depreciation will be an estimated increase of R5,268,449.25 per annum.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Newly identified assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	28 384 113	-	-	(2 574)	-	(1 351 927)	(47 709)	26 981 903
Infrastructure	681 742 840	-	-	(730 943)	9 647 734	(20 680 219)	(2 043 311)	667 936 101
Other property, plant and equipment	20 062 484	4 805 166	1 239 371	1 292	-	(3 490 058)	(143 247)	22 475 008
Assets Under Construction	509 882 714	255 187 705	-	-	(9 647 734)	-	-	755 422 685
Leased Assets	337 158	1 042 916	-	(103 179)	-	(254 250)	-	1 022 645
	<b>1 241 566 559</b>	<b>261 035 787</b>	<b>1 239 371</b>	<b>(835 404)</b>	<b>-</b>	<b>(25 776 454)</b>	<b>(2 234 267)</b>	<b>1 474 995 592</b>

#### Reconciliation of property, plant and equipment - Controlling entity - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	1 157 250
Buildings	29 636 324	-	(1 252 211)	-	28 384 113
Infrastructure	697 022 738	1 166 986	(15 259 144)	(1 187 740)	681 742 840
Other property, plant and equipment	8 537 294	14 578 742	(2 361 681)	(691 871)	20 062 484
Assets Under Construction	333 722 180	176 160 534	-	-	509 882 714
Leased Assets	593 229	-	(256 071)	-	337 158
	<b>1 070 669 015</b>	<b>191 906 262</b>	<b>(19 129 107)</b>	<b>(1 879 611)</b>	<b>1 241 566 559</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 8. Intangible assets

Economic entity	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	434 957	(107 600)	327 357	37 434	(7 808)	29 626

Controlling entity	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	434 957	(107 600)	327 357	37 434	(7 808)	29 626

### Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	29 626	397 523	(99 792)	327 357

### Reconciliation of intangible assets - Controlling entity - 2013

	Opening balance	Amortisation	Total
Computer software	37 108	(7 482)	29 626

### 9. Other financial liabilities

#### At amortised cost

Other financial liabilities	431 638	(18 603)	431 638	(18 603)
Debtors Prepayments	5 405 788	-	5 405 788	-
Terms and conditions				
Other Accruals	3 844 677	1 806 199	3 844 677	1 806 199
	<b>9 682 103</b>	<b>1 787 596</b>	<b>9 682 103</b>	<b>1 787 596</b>
<b>Total other financial liabilities</b>	<b>9 682 103</b>	<b>1 787 596</b>	<b>9 682 103</b>	<b>1 787 596</b>
<b>Current liabilities</b>				
Other Financial Liabilities	9 682 103	1 787 596	9 682 103	1 787 596

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>10. Trade and other payables from exchange transactions</b>				
Trade creditors	86 791 727	30 221 564	86 088 837	29 094 585
Accrued expenses	192 803	34 396 298	192 803	34 396 298
13th Cheque Accrual	2 371 083	3 944 436	2 371 083	3 944 436
Leave Pay Accrual	10 165 704	7 643 527	10 065 916	7 568 148
Retentions	23 175 868	-	23 175 868	-
<b>Total creditors</b>	<b>122 697 185</b>	<b>76 205 825</b>	<b>121 894 507</b>	<b>75 003 467</b>

The fair value of trade and other payables approximate their carrying amounts.

### 11. Consumer deposits

Electricity and Water	1 844 883	1 350 634	1 844 883	1 350 634
Unallocated Deposits	17 163	1 148 032	17 163	1 148 032
<b>Total consumer deposits</b>	<b>1 862 046</b>	<b>2 498 666</b>	<b>1 862 046</b>	<b>2 498 666</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>12. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Bazaneni River Water Purification Grant	-	756 400	-	756 400
Capacity Building: Asset Management	-	153 814	-	153 814
Corridor Development	-	1 948 550	-	1 948 550
Corridor Development	-	269 717	-	269 717
Councillors Training	11 300	200 000	11 300	200 000
Debt Collection Grant	-	420 907	-	420 907
Disaster Management	-	4 790 878	-	4 790 878
Environmental Management Grant	405 600	800 268	405 600	800 268
Expanded Public Works Programme (EPWP)	2 164 094	1 164 094	2 164 094	1 164 094
Growth and Development Summit	-	458 944	-	458 944
Ingwavuma	101 506	941 043	101 506	941 043
Inter-governmental Relations	-	77 520	-	77 520
Implementation Grant (IRIG)	-	-	-	-
Kwadapha	578 891	578 891	578 891	578 891
KwaJobe-Cezwana Water Purification Grant	-	787 880	-	787 880
KwaJobe-Nongowoza Water Purification Grant	-	915 000	-	915 000
Kwazibi National Lottery	122 667	122 667	122 667	122 667
Kwazibi Water Purification Grant	-	915 000	-	915 000
Lake Tete	267 001	267 001	267 001	267 001
Mabibi National Lottery	166 667	166 667	166 667	166 667
Massification Grant	4 172 492	18 043 888	4 172 492	18 043 888
MIG Reserves	-	17 917 362	-	17 917 362
Mtuba Bulk Water Supply	-	13 197	-	13 197
Mtuba Water Conservation and Demand Management	-	524 310	-	524 310
Municipal Government Administration	-	800 000	-	800 000
Municipal Water Infrastructure Grant	1 562 945	-	1 562 945	-
Mqobela National Lottery	166 666	166 666	166 666	166 666
Ndumo Groundnuts	749 347	2 000 000	749 347	2 000 000
Ndumo Learners Shelter	9 019 417	19 473 262	9 019 417	19 473 262
Nyezi Community HIV Centre	303 570	303 570	303 570	303 570
Other	2 006 107	2 438 445	254 290	911 670
PIMMS/ NDT Operational	300	300	300	300
Public Participation Customer Satisfaction Survey	750 000	-	750 000	-
Umkhombe Tours	908 690	908 690	908 690	908 690
Umnqobokazi Sportfield	-	258 244	-	258 244
Waste Management	145 565	145 565	145 565	145 565
	<b>23 602 825</b>	<b>78 728 740</b>	<b>21 851 008</b>	<b>77 201 965</b>

### Cash backing of 2013/14 conditional grants

Grant funds used for other purposes:	-	-	-	-
Kwadapha	578 891	-	578 891	-
Lake Tete	267 001	-	267 001	-
Nyezi Community HIV Centre	303 750	-	303 750	-
Umkhombe	908 690	-	908 690	-
Retentions raised during the year	8 538 474	-	8 538 474	-
	<b>10 596 806</b>	<b>-</b>	<b>10 596 806</b>	<b>-</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 12. Unspent conditional grants and receipts (continued)

During the financial year ended 30 June 2014, the municipality had retentions amounting to R8 538 473.79 which will be settled in the next year when they are due.

Grants valued at R2 058 152 disclosed above were not used for intended purposes in the previous years and an investigation is in progress and the findings will be tabled to Council.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 13. Non - current provisions

#### Reconciliation of non - current provisions - Controlling entity - 2014

	Opening Balance	Additions	Reversed during the year	Total
Transfer to Current Portion of Long Service Award	210 326	-	(101 313)	109 013
Provision for long service awards	3 259 674	1 030 639	(210 326)	4 079 987
	<b>3 470 000</b>	<b>1 030 639</b>	<b>(311 639)</b>	<b>4 189 000</b>

#### Reconciliation of non - current provisions - Controlling entity - 2013

	Opening Balance	Additions	Total
Transfer to Current Portion of Long Service Award	-	210 326	210 326
Non-Current Provision for long service awards	1 724 000	1 535 674	3 259 674
	<b>1 724 000</b>	<b>1 746 000</b>	<b>3 470 000</b>

#### Long Service Awards

The municipality carries out a statutory valuation on an annual basis. ZAQEN Actuaries (Pty) Ltd performed an actuarial valuation of the liability in respect of the long service awards for the financial year ended 30 June 2014. The previous valuation was conducted by One Pangaea Financial as at 30 June 2013. The principal actuarial assumptions were used as follows:

#### Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	(10/250)*Annual Salary
15	8%	(20/250)*Annual Salary
20,25,30,35,40 and 45	12%	(30/250)*Annual Salary

#### Valuation Assumptions - Key Financial Variables

Discount rate per annum	7.96%	7.25%
General Inflation	6.33%	6.25%
Salary inflation	7.33%	7.15%
Real rate	0.59%	0.09%
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Members withdrawn from services: (Average for males and females)		
Age 20 - 24	20%	16.5%
Age 25 - 29	15%	6.6%
Age 30 - 34	12.5%	5.1%
Age 35 - 39	9%	3.6%
Age 40 - 44	6%	2.6%
Age 45 - 49	4%	1.8%
Age 50 - 54	2%	1.1%
Age 55 -59	1%	
Age 60+	0%	0%



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 13. Non - current provisions (continued)

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations			4 189 000	3 470 000
Fair value of plan assets			-	-
<b>Liability in the Statement of Financial Position</b>			<b>4 189 000</b>	<b>3 470 000</b>

Movements in the defined benefit obligation is as follows:

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Balance at beginning of the year			3 470 000	1 724 000
Current service & Interest cost			846 000	423 000
Benefit payments			(210 326)	(64 000)
Actuarial (gains)/losses			83 326	1 387 000
<b>Balance at end of year</b>			<b>4 189 000</b>	<b>3 470 000</b>

In conclusion:

If we assume that the long service award benefit policy of the Municipality remains unchanged over the next 36 months, a projection of the Municipality's unfunded accrued liability and future service cost can be seen as follows:

Statement of Financial Position obligation for:

Long Service Award			4 189 000	3 470 000
--------------------	--	--	-----------	-----------

Statement of Financial performance obligation for:

Long Service Award (Loss/ Gain)			83 326	1 387 000
---------------------------------	--	--	--------	-----------

### 14. Non - current borrowings

#### DBSA Loans

Opening Balance	10 553 559	11 397 530	10 553 559	11 397 530
Amount Due	783 285	783 285	713 756	783 285
Amount Paid	(1 627 256)	(1 627 256)	(1 529 567)	(1 627 256)
	<b>9 709 588</b>	<b>10 553 559</b>	<b>9 737 748</b>	<b>10 553 559</b>

#### Statement of Financial Performance

Non-current portion of borrowings	8 180 507	9 732 083	8 180 507	9 732 083
Current portion of borrowings	1 557 241	821 476	1 557 241	821 476
	<b>9 737 748</b>	<b>10 553 559</b>	<b>9 737 748</b>	<b>10 553 559</b>

The loans from Development Bank South Africa are subject to interest at the average rate of 6.75% and are repayable over an average period of 13 years.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 15. Non-current finance lease liability

2014	Minimum lease payments	Future Finance Charges	Present Value of minimum lease payments
Within one year	521 412	(62 580)	458 832
Within two to five years	448 753	(23 560)	425 193
	<b>970 165</b>	<b>(86 140)</b>	<b>884 025</b>

The average lease term is 5 years and the average effective borrowing rate is 9% (2014) 3.3% (2014). Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2013	Minimum lease payments	Future Finance Charges	Present Value of minimum lease payments
Within one year	263 052	(42 822)	220 230
Within two to five years	183 748	(10 977)	172 771
	<b>446 800</b>	<b>(53 799)</b>	<b>393 001</b>

### 16. Service charges

Sale of electricity	5 669 415	4 398 483	5 669 415	4 398 483
Sale of water	36 646 758	36 454 062	36 646 758	36 454 062
Sewerage and sanitation charges	1 257 014	1 087 414	1 257 014	1 087 414
<b>Total Services Charges</b>	<b>43 573 187</b>	<b>41 939 959</b>	<b>43 573 187</b>	<b>41 939 959</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>17. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	193 756 000	174 928 000	193 756 000	174 928 000
Other Grants	87 254 971	39 322 626	87 254 971	39 322 626
	<u>281 010 971</u>	<u>214 250 626</u>	<u>281 010 971</u>	<u>214 250 626</u>
<b>Capital grants</b>				
MIG	233 214 362	236 303 803	233 214 362	236 303 803
Other Grant	1 124 958	4 570 995	-	-
	<u>234 339 320</u>	<u>240 874 798</u>	<u>233 214 362</u>	<u>236 303 803</u>
	<u><b>515 350 291</b></u>	<u><b>455 125 424</b></u>	<u><b>514 225 333</b></u>	<u><b>450 554 429</b></u>

### Industrial Development Corporation Scabazini Co-operative

Balance unspent at end of the year	(1 526 775)	-	-	-
Current year receipts	-	(2 628 024)	-	-
Conditions met - transferred to revenue	825 902	1 101 249	-	-
	<u>(700 873)</u>	<u>(1 526 775)</u>	<u>-</u>	<u>-</u>

This grant is managed by the municipal entity on behalf of the Scabazini Co-operative for all agricultural activities.

### MTN SA Foundation

Balance unspent at beginning of year	-	-	-	-
Current-year receipts	(900 000)	-	-	-
Conditions met - transferred to revenue	152 379	-	-	-
	<u>(747 621)</u>	<u>-</u>	<u>-</u>	<u>-</u>

This grant is used for training and development of SMMEs within the district.

### Public Participation & Customer Satisfaction Survey

Balance unspent at beginning of year	-	-	-	-
Current-year receipts	(750 000)	-	(750 000)	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(750 000)</u>	<u>-</u>	<u>(750 000)</u>	<u>-</u>

### National Treasury - International (ILO)

Current-year receipts	(450 000)	-	-	-
Conditions met - transferred to revenue	(146 677)	-	-	-
	<u>(596 677)</u>	<u>-</u>	<u>-</u>	<u>-</u>

This grant is used for training and development of SMMEs within the district.

### PIMMS / NDT Operational

Balance unspent at beginning of year	(300)	(300)	(300)	(300)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>	<u>(300)</u>

### FMG

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>17. Government grants and subsidies (continued)</b>				
Current-year receipts	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
Conditions met - transferred to revenue	1 250 000	1 250 000	1 250 000	1 250 000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capacity Building: Asset Management</b>				
Balance unspent at beginning of year	(153 813)	(438 028)	(153 813)	(438 028)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	153 813	284 215	153 813	284 215
	<u>-</u>	<u>(153 813)</u>	<u>-</u>	<u>(153 813)</u>
<b>Massification Grant</b>				
Balance unspent at beginning of year	(18 043 888)	(17 748 000)	(18 043 888)	(17 748 000)
Current-year receipts	-	(17 127 000)	-	(17 127 000)
Conditions met - transferred to revenue	13 871 396	16 831 112	13 871 396	16 831 112
	<u>(4 172 492)</u>	<u>(18 043 888)</u>	<u>(4 172 492)</u>	<u>(18 043 888)</u>
<b>Debt Management Grant</b>				
Balance unspent at beginning of year	(420 908)	(420 908)	(420 908)	(420 908)
Conditions met - transferred to revenue	420 908	-	420 908	-
	<u>-</u>	<u>(420 908)</u>	<u>-</u>	<u>(420 908)</u>
<b>Umnqobokazi</b>				
Balance unspent at beginning of year	(258 244)	(258 244)	(258 244)	(258 244)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	258 244	-	258 244	-
	<u>-</u>	<u>(258 244)</u>	<u>-</u>	<u>(258 244)</u>
<b>Kwazibi National Lottery</b>				
Balance unspent at beginning of year	(122 667)	(166 667)	(122 667)	(166 667)
Conditions met - transferred to revenue	-	44 000	-	44 000
	<u>(122 667)</u>	<u>(122 667)</u>	<u>(122 667)</u>	<u>(122 667)</u>
<b>Mqobela National Lottery</b>				
Balance unspent at beginning of year	(166 666)	(166 666)	(166 666)	(166 666)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(166 666)</u>	<u>(166 666)</u>	<u>(166 666)</u>	<u>(166 666)</u>
<b>Mabibi National Lottery</b>				
Balance unspent at beginning of year	(166 667)	(166 667)	(166 667)	(166 667)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(166 667)</u>	<u>(166 667)</u>	<u>(166 667)</u>	<u>(166 667)</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>17. Government grants and subsidies (continued)</b>				
<b>Mtuba Water Conservation and Demand Management</b>				
Balance unspent at beginning of year	(524 309)	(524 309)	(524 309)	(524 309)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	524 309	-	524 309	-
	<u>-</u>	<u>(524 309)</u>	<u>-</u>	<u>(524 309)</u>
<b>Kwazibi Water Purification</b>				
Balance unspent at beginning of year	(915 000)	(915 000)	(915 000)	(915 000)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	915 000	-	915 000	-
	<u>-</u>	<u>(915 000)</u>	<u>-</u>	<u>(915 000)</u>
<b>Kwajobe Cezwane Water Purification</b>				
Balance unspent at beginning of year	(787 880)	(787 880)	(787 880)	(787 880)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	787 880	-	787 880	-
	<u>-</u>	<u>(787 880)</u>	<u>-</u>	<u>(787 880)</u>
<b>Kwajobe Nongowoza Water Purification</b>				
Balance unspent at beginning of year	(915 000)	(915 000)	(915 000)	(915 000)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	915 000	-	915 000	-
	<u>-</u>	<u>(915 000)</u>	<u>-</u>	<u>(915 000)</u>
<b>Bazaneni River Water Purification</b>				
Balance unspent at beginning of year	(756 400)	(756 400)	(756 400)	(756 400)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	756 400	-	756 400	-
	<u>-</u>	<u>(756 400)</u>	<u>-</u>	<u>(756 400)</u>
<b>Disaster Management</b>				
Balance unspent at beginning of year	(4 790 878)	(463 039)	(4 790 878)	(463 039)
Current-year receipts	-	(5 000 000)	-	(5 000 000)
Expenditure claimed in accordance with grant conditions	4 790 878	672 161	4 790 878	672 161
	<u>-</u>	<u>(4 790 878)</u>	<u>-</u>	<u>(4 790 878)</u>
<b>Growth and Development Summit Grant</b>				
Balance unspent at beginning of year	(458 944)	(100 000)	(458 944)	(100 000)
Current-year receipts	-	(400 000)	-	(400 000)
Conditions met - transferred to revenue	458 944	41 056	458 944	41 056
	<u>-</u>	<u>(458 944)</u>	<u>-</u>	<u>(458 944)</u>
<b>Corridor Development</b>				

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>17. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	(269 717)	(702 917)	(269 717)	(702 917)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	269 717	433 200	269 717	433 200
	<u>-</u>	<u>(269 717)</u>	<u>-</u>	<u>(269 717)</u>
<b>MSIG</b>				
Balance unspent at beginning of year	-	(189 771)	-	(189 771)
Current-year receipts	(890 000)	(1 000 000)	(890 000)	(1 000 000)
Conditions met - transferred to revenue	890 000	622 987	890 000	622 987
Unspent portion forfeited by National Treasury	-	566 784	-	566 784
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Intergovernmental Relations Implementation Grant</b>				
Balance unspent at beginning of year	(77 520)	(917 000)	(77 520)	(917 000)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	77 520	839 480	77 520	839 480
	<u>-</u>	<u>(77 520)</u>	<u>-</u>	<u>(77 520)</u>
<b>Ndumo Groundnuts</b>				
Balance unspent at beginning of year	(2 000 000)	-	(2 000 000)	-
Current-year receipts	-	(2 000 000)	-	(2 000 000)
Conditions met - transferred to revenue	1 250 653	-	1 250 653	-
	<u>(749 347)</u>	<u>(2 000 000)</u>	<u>(749 347)</u>	<u>(2 000 000)</u>
<b>Expanded Public Works Programme (EPWP)</b>				
Balance unspent at beginning of year	(1 164 094)	(82 094)	(1 164 094)	(82 094)
Current-year receipts	(1 000 000)	(1 082 000)	(1 000 000)	(1 082 000)
Conditions met - transferred to revenue	-	-	-	-
	<u>(2 164 094)</u>	<u>(1 164 094)</u>	<u>(2 164 094)</u>	<u>(1 164 094)</u>
<b>Lake Tete</b>				
Balance unspent at beginning of year	(267 001)	(267 001)	(267 001)	(267 001)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(267 001)</u>	<u>(267 001)</u>	<u>(267 001)</u>	<u>(267 001)</u>
<b>Kwadapha</b>				
Balance unspent at beginning of year	(578 891)	(578 891)	(578 891)	(578 891)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<u>(578 891)</u>	<u>(578 891)</u>	<u>(578 891)</u>	<u>(578 891)</u>
<b>Nyezi Community Hiv Centre</b>				

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>17. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	(303 570)	(303 570)	(303 570)	(303 570)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(303 570)</b>	<b>(303 570)</b>	<b>(303 570)</b>	<b>(303 570)</b>
<b>Umkhombe Tours</b>				
Balance unspent at beginning of year	(908 690)	(908 690)	(908 690)	(908 690)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(908 690)</b>	<b>(908 690)</b>	<b>(908 690)</b>	<b>(908 690)</b>
<b>Waste Management Grant</b>				
Balance unspent at beginning of year	(145 565)	(145 565)	(145 565)	(145 565)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>(145 565)</b>	<b>(145 565)</b>	<b>(145 565)</b>	<b>(145 565)</b>
<b>Environmental Management Grant</b>				
Balance unspent at beginning of year	(800 268)	(1 308 991)	(800 268)	(1 308 991)
Current-year receipts	-	-	-	-
Conditions met - transferred to revenue	394 668	508 723	394 668	508 723
	<b>(405 600)</b>	<b>(800 268)</b>	<b>(405 600)</b>	<b>(800 268)</b>
<b>Rural Transport Infrastructure and System Grant</b>				
Balance unspent at beginning of year	-	(1 687 000)	-	(1 687 000)
Current-year receipts	(2 101 000)	(1 776 000)	(2 101 000)	(1 776 000)
Conditions met - transferred to revenue	2 100 709	1 776 000	2 100 709	1 776 000
Unspent portion forfeited by National Treasury	-	1 687 000	-	1 687 000
	<b>(291)</b>	<b>-</b>	<b>(291)</b>	<b>-</b>
<b>Municipal Government Administration</b>				
Balance unspent at beginning of year	(800 000)	-	(800 000)	-
Current-year receipts	-	(800 000)	-	(800 000)
Conditions met - transferred to revenue	-	-	-	-
Amount recalled by National Treasury	800 000	-	800 000	-
	<b>-</b>	<b>(800 000)</b>	<b>-</b>	<b>(800 000)</b>
<b>Ndumo Learners Shelter</b>				
Balance unspent at beginning of year	(19 473 271)	-	(19 473 271)	-
Current-year receipts	-	(35 000 000)	-	(35 000 000)
Conditions met - transferred to revenue	10 453 845	15 526 729	10 453 845	15 526 729
	<b>(9 019 426)</b>	<b>(19 473 271)</b>	<b>(9 019 426)</b>	<b>(19 473 271)</b>
<b>MIG Grant</b>				

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>17. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	(17 917 372)	(27 448 175)	(17 917 372)	(27 448 175)
Current-year receipts	(215 297 000)	(226 773 000)	(215 297 000)	(226 773 000)
Conditions met - transferred to revenue	233 214 372	236 303 803	233 214 372	236 303 803
	<u>-</u>	<u>(17 917 372)</u>	<u>-</u>	<u>(17 917 372)</u>
<b>Councillors Training</b>				
Balance unspent at beginning of year	(200 000)	-	(200 000)	-
Current-year receipts	-	(200 000)	-	(200 000)
Conditions met - transferred to revenue	188 700	-	188 700	-
	<u>(11 300)</u>	<u>(200 000)</u>	<u>(11 300)</u>	<u>(200 000)</u>
<b>Ingwavuma Prison Electrical Upgrade</b>				
Balance unspent at beginning of year	(941 043)	(941 043)	(941 043)	(941 043)
Conditions met - transferred to revenue	839 537	-	839 537	-
	<u>(101 506)</u>	<u>(941 043)</u>	<u>(101 506)</u>	<u>(941 043)</u>
<b>Municipal Water Infrastructure Grant</b>				
Current-year receipts	(27 074 001)	-	(27 074 001)	-
Conditions met - transferred to revenue	25 511 056	-	25 511 056	-
	<u>(1 562 945)</u>	<u>-</u>	<u>(1 562 945)</u>	<u>-</u>
<b>Mtuba Bulk Water Supply</b>				
Balance unspent at beginning of year	(13 197)	(13 197)	(13 197)	(13 197)
Conditions met - transferred to revenue	13 197	-	13 197	-
	<u>-</u>	<u>(13 197)</u>	<u>-</u>	<u>(13 197)</u>
<b>Other Grants</b>				
Balance unspent at beginning of year	(911 670)	(911 670)	(911 670)	(911 670)
Mbazwana Tusong Centre	(250 000)	-	(250 000)	-
Rural Households Infrastructure Grant	(4 000)	-	(4 000)	-
Conditions met - transferred to revenue	911 670	-	911 670	-
	<u>(254 000)</u>	<u>(911 670)</u>	<u>(254 000)</u>	<u>(911 670)</u>
<b>Total Conditional And Other Grants</b>				
Balance unspent at beginning of year	(78 728 740)	(98 562 355)	(77 201 956)	(97 908 864)
Current-year receipts	(267 367 991)	(262 993 322)	(266 017 991)	(257 549 043)
Conditions met - transferred to revenue	321 693 906	280 090 004	320 568 945	275 519 018
Other Adjustment	800 000	2 736 933	800 000	2 736 933
	<u>(23 602 825)</u>	<u>(78 728 740)</u>	<u>(21 851 002)</u>	<u>(77 201 956)</u>
<b>Equitable Share</b>				

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>18. Rental of facilities</b>				
Rental of Buildings	<u>106 871</u>	<u>103 940</u>	<u>106 871</u>	<u>103 940</u>
<b>19. Interest Earned</b>				
Investments	4 495 735	9 642 336	4 495 735	9 642 336
Other Bank Balances	<u>2 212 984</u>	<u>2 882 305</u>	<u>2 212 984</u>	<u>2 882 305</u>
<b>Total interest</b>	<b><u>6 708 719</u></b>	<b><u>12 524 641</u></b>	<b><u>6 708 719</u></b>	<b><u>12 524 641</u></b>
<b>20. Interest Earned -Outstanding Receivables</b>				
Interest received - outstanding receivables	<u>4 462 481</u>	<u>1 538 146</u>	<u>4 462 481</u>	<u>1 538 146</u>
<b>21. Other income</b>				
Connection Fees	17 665	99 623	17 665	99 623
Fair Value Adjustment	1 239 371	-	1 239 371	-
Tender Sales	69 603	113 445	69 603	113 445
Other income	<u>751 374</u>	<u>842 647</u>	<u>708 892</u>	<u>466 774</u>
<b>Total Other Income</b>	<b><u>2 078 013</u></b>	<b><u>1 055 715</u></b>	<b><u>2 035 531</u></b>	<b><u>679 842</u></b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>22. Employee related costs</b>				
Employee related costs- Salaries and Wages	83 427 246	50 888 350	81 426 389	48 726 984
Contributions for UIF, pensions and medical aids	14 475 466	10 327 108	14 475 466	10 327 108
Travel, motor car, accommodation, subsistence and other allowances	6 817 552	6 534 667	6 817 552	6 534 667
Housing benefits and allowances	1 159 981	641 056	1 159 981	641 056
Overtime payments	3 084 406	2 671 157	3 084 406	2 671 157
Other employee related costs	2 950 845	1 637 277	2 950 845	1 637 277
	<b>111 915 496</b>	<b>72 699 615</b>	<b>109 914 639</b>	<b>70 538 249</b>

During the year under review salaries for employees were reviewed upwards through a Council Resolution due to disparities that were noted.

### Remuneration of Chief Executive Office - Umhlosinga

Annual Remuneration	574 309	524 688	-	-
Travel Allowance	168 000	168 000	-	-
Performance Bonuses	48 544	70 888	-	-
Cellphone Allowance	16 200	16 200	-	-
	<b>807 053</b>	<b>779 776</b>	<b>-</b>	<b>-</b>

During the financial year Umhlosinga Chief Executive AX Gericke resigned in November 2014 and was replaced by M M Ntuli.

### Remuneration of Municipal Manager

Annual Remuneration	-	-	455 885	917 343
Travel, motor car, accommodation, subsistence and other allowances	-	-	152 068	77 309
Contributions to UIF, Medical and Pension Funds	-	-	6 721	11 926
Backpay	-	-	11 517	-
Lumpsum Payout	-	-	820 000	75 899
	<b>-</b>	<b>-</b>	<b>1 446 191</b>	<b>1 082 477</b>

Mr PS Gwacela (former Acting Municipal Manager) received a lumpsum payout of R820 000.00. Mr S.N Dubazana earned R341 862.73 from July 2013 to October 2013. Mr M.S Dlamini was acting Municipal Manager for the period 01 October 2013 to 31 March 2014. Mr E.M Mzimela was appointed on 01 April 2014 and earned R284 328.38 and is the Municipal Manager.

### Remuneration of the Chief Finance Officer

Annual Remuneration	-	-	449 832	440 580
Travel, motor car, accommodation, subsistence and other allowances	-	-	556 935	548 813
Contributions to UIF, Medical and Pension Funds	-	-	41 414	10 612
	<b>-</b>	<b>-</b>	<b>1 048 181</b>	<b>1 000 005</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 22. Employee related costs (continued)

#### Remuneration of General Manager - Corporate Services

Annual Remuneration	-	-	587 578	490 376
Travel, motor car, accommodation, subsistence and other allowances	-	-	343 688	84 227
Contributions to UIF, Medical and Pension Funds	-	-	10 087	85 485
Leave Payout	-	-	-	150 577
Acting Allowance	-	-	-	136 121
Back Pay	-	-	20 000	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>961 353</b>	<b>946 786</b>

#### Remuneration of Chief Financial Officer - Umhlosinga

Annual Remuneration	302 400	304 084	-	-
Travel Allowance	30 000	33 000	-	-
13th Cheque	34 240	31 500	-	-
Cellphone Allowance	10 000	5 500	-	-
	<b>376 640</b>	<b>374 084</b>	<b>-</b>	<b>-</b>

During the financial year Chief Financial Officer Ms N A Mbokazi resigned on 30 April 2014 and G B G Goldman is now on acting capacity.

#### Remuneration of General Manager - Community Services

Annual Remuneration	-	-	662 285	360 979
Travel, motor car, accommodation, subsistence and other allowances	-	-	266 252	97 083
Contributions to UIF, Medical and Pension Funds	-	-	10 128	8 296
Acting Allowance	-	-	-	59 102
	<b>-</b>	<b>-</b>	<b>938 665</b>	<b>525 460</b>

#### Remuneration of General Manager - Technical Services

Annual Remuneration	-	-	838 723	300 181
Travel, motor car, accommodation, subsistence and other allowances	-	-	146 786	59 102
Contributions to UIF, Medical and Pension Funds	-	-	10 684	42 323
Acting Allowance	-	-	-	39 625
Leave payout	-	-	-	106 615
Backpay	-	-	76 053	-
	<b>-</b>	<b>-</b>	<b>1 072 246</b>	<b>547 846</b>

#### Remuneration of General Manager - Planning & Economic Development (formerly SED)

Annual Remuneration	-	-	744 630	247 881
Leave Payout	-	-	-	9 195
Travel, motor car, accommodation, subsistence and other allowances	-	-	213 157	40 463
Contributions to UIF, Medical and Pension Funds	-	-	10 532	8 455

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>22. Employee related costs (continued)</b>				
Acting Allowance	-	-	-	93 620
	<u>-</u>	<u>-</u>	<u>968 319</u>	<u>399 614</u>
<b>23. Bad Debts</b>				
Bad debts written off	<u>21 105 575</u>	<u>-</u>	<u>21 105 575</u>	<u>-</u>
During the financial year long outstanding debtors amounting to R21 105 575 were written off after being tabled to Council for approval.				
<b>24. Remuneration of councillors</b>				
Mayor	512 400	655 561	512 400	655 561
Deputy Mayor	681 955	714 257	681 955	714 257
Speaker	717 283	764 192	717 283	764 192
Executive Committee Members	1 149 637	1 581 374	1 149 637	1 581 374
Councillors	1 774 939	969 353	1 774 939	969 353
Allowances	2 117 256	1 559 054	2 117 256	1 559 054
	<u>6 953 470</u>	<u>6 243 791</u>	<u>6 953 470</u>	<u>6 243 791</u>
<b>In-kind benefits</b>				
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.				
All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.				
The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.				
Only the Mayor has the use of Council owned vehicle for official duties.				
The Mayor has two full-time bodyguards and 1 relief bodyguard.				
<b>25. Depreciation and amortisation</b>				
Property, plant and equipment	<u>28 292 736</u>	<u>21 108 687</u>	<u>28 109 220</u>	<u>21 016 200</u>
<b>26. Impairment loss/ Reversal of Impairments</b>				
Provision For Bad Debts	<u>15 371 559</u>	<u>34 953 792</u>	<u>15 371 559</u>	<u>34 953 792</u>
<b>27. Finance costs</b>				
Current borrowings	<u>1 030 069</u>	<u>1 125 619</u>	<u>977 908</u>	<u>1 065 933</u>
<b>28. Repairs and Maintenance</b>				
Repairs and Maintenance	<u>36 275 583</u>	<u>21 841 737</u>	<u>36 270 006</u>	<u>21 799 371</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>29. Bulk purchases</b>				
Electricity	27 593 001	19 428 214	27 593 001	19 428 214
Water	49 976 515	56 839 361	49 976 515	56 839 361
<b>Total Bulk Purchases</b>	<b>77 569 516</b>	<b>76 267 575</b>	<b>77 569 516</b>	<b>76 267 575</b>
<b>30. Contracted services</b>				
Specialist Services	34 368 877	7 576 847	34 368 877	7 576 847

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>31. General expenses</b>				
Audit Committee fees	293 690	262 928	83 495	105 097
Audit Fees	3 078 584	2 847 878	2 841 084	2 704 138
Accommodation	2 350 206	2 469 870	2 350 206	2 469 870
Advertising	36 039	385 614	-	379 199
Auditors remuneration	92 115	-	-	-
Arts & Culture	451 026	756 285	451 026	756 285
Bank charges	567 030	476 726	555 717	464 313
Business Development & Support	946 515	-	946 515	-
Business Plans	-	3 869	-	3 869
Civic Receptions	-	78	-	78
Cleaning	271 957	145 878	271 057	145 878
Community development and training	914 056	1 071 467	914 056	1 071 467
Consulting and professional fees	6 914 543	6 833 307	6 857 617	6 710 713
Content Costs	2 608 486	2 675 617	-	-
Disability	488 014	448 729	488 014	448 729
Disaster Management	512 180	9 519 714	512 180	9 519 714
Entertainment	421 125	467 931	421 125	467 931
Esicabazini Development Youth Academy	2 649 745	13 619 945	2 649 745	13 619 945
Fleet	11 348	83 257	-	72 950
Fuel and oil	786 084	2 078 818	786 084	2 078 818
Gender, Youth, Children & Senior Citizen	1 208 438	484 736	1 208 438	484 736
Grant Funded Expenditure	9 302 021	4 527 117	16 632 863	7 145 841
Hire of Plant & Equipment	23 005 327	14 441 592	23 005 327	14 441 592
HIV & AIDS Prevention	226 039	1 205 943	226 039	1 205 943
Insurance	39 199	159 271	-	137 608
Inter-Governmental Relations	1 139 925	-	1 139 925	-
Internal Audit Fees	9 267	1 927 761	-	1 927 761
Lease rentals on operating lease	14 490	1 745 494	-	1 719 365
Legal Fees	-	2 252 570	-	2 252 570
Levies	-	742 807	-	742 807
Licences	618 929	311 004	618 929	311 004
Mayoral Descretionary Fund	-	30	-	30
Medical expenses	67 583	35 051	67 583	35 051
Municipal Health	500 812	9 490	500 812	9 490
Nordale Extensions	-	1 253 775	-	1 253 775
Old Age Pensioners	-	161 507	-	161 507
Operation Turn Around	2 014 376	121 575	2 014 376	121 575
Other expenses	4 476 677	5 761 827	2 552 372	4 380 284
Postage and courier	4 160	2 713	4 160	2 593
Printing and stationery	361 182	228 199	326 769	181 328
Publicity	5 130 010	3 887 631	5 130 010	3 887 631
Purchase of books	-	3 730	-	3 730
Small tools	65 938	109 267	65 938	109 267
Sports DC27	3 271 648	2 948 034	3 271 648	2 948 034
Systems Support	1 916 836	1 366 688	1 916 836	1 366 688
Subscriptions and membership fees	23 904	44 603	-	-
Telephone and fax	238 278	876 382	202 399	863 269
Team Building	91 248	756 823	91 248	756 823
Training	1 325 837	639 397	1 325 837	639 397
Uniforms	173 537	54 000	173 537	54 000
VIP Toilets	51 258 544	-	51 258 544	-
Water Analysis	-	5 000	-	5 000
Water Operations Subsidy	6 940 242	-	6 940 242	-
Tourism Projects	816 703	618 395	816 703	618 395
	<b>137 633 893</b>	<b>90 830 323</b>	<b>139 618 456</b>	<b>88 786 088</b>

Further disclosure was made for other expenses line note as a result the prior balances were restated.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>32. Cash generated from operations</b>				
Surplus	101 845 731	179 742 405	100 852 897	179 093 111
<b>Adjustments for:</b>				
Depreciation and amortisation	28 292 736	21 108 687	28 109 220	21 016 200
Interest income	-	-	(4 522 085)	-
Impairment deficit	-	34 953 792	-	34 953 792
Debt impairment	21 105 575	-	21 105 575	-
Movements in provisions	719 000	1 746 000	719 000	1 746 000
Other non-cash items	(396 229)	(138 985 729)	1 293	26 370 700
<b>Changes in working capital:</b>				
Capital Expenditure	(43 921 313)	(42 858 498)	(43 921 313)	(42 858 498)
Receivables from exchange transactions	(20 639 251)	86 999 628	(20 639 251)	87 041 076
Other receivables from non-exchange transactions	50 457 633	(34 953 792)	49 657 633	-
Consumer debtors	-	10 768 742	-	10 768 742
Trade and other payables from exchange transactions	46 491 358	61 532 700	46 891 039	60 883 901
VAT Payable	(2 795 498)	1 569 149	(2 899 654)	1 569 149
Taxes and transfers payable (non exchange)	51 109	113 762	-	-
Current portion of unspent conditional grants and receipts	(55 125 915)	(36 193 682)	(55 350 957)	(37 066 966)
Consumer deposits	(636 620)	1 602 935	(636 620)	1 602 935
	<b>125 448 316</b>	<b>147 146 099</b>	<b>119 366 777</b>	<b>345 120 142</b>

### 33. Correction of Errors

Correction of unallocated deposits amounting to R2 326 663. During the 2012/13 financial year the unallocated deposits account was not cleared and further investigation showed that they were previous years revenue that had not been accounted for therefore the accumulated surplus was adjusted to correct errors in the previous periods.

Correction of misallocations to the payroll suspense accounts amounting to R62 962. During the year 2012/13 financial year there was uncleared payroll suspense/ accrual accounts which were reconciled and cleared during this financial year. There were errors noted that required us to adjust the prior years as they were misposts.

Correction of expenses duplicated on accrual amounting to R33 016 090. During the 2012/13 financial year audit, there were expenses noted by the auditors which were not accrued and an accrual of R 65 490 900.67 was done to correct. Upon reversals of accrual in 2013/14 financial an error was noted that of the amount accrued R 33 016 090.29 was already accrued in the previous year which resulted in a duplication of expenses in 2012/13 financial year.

Reversal of VAT accrual written off amounting to R5 154 945. During the 2012/13 financial year audit VAT accrued was written-off, however the municipality engaged a service provider to re-perform VAT returns and recover previous years VAT receivable understated from SARS. VAT amounting to R5 154 945 was refunded during the 2013/14 financial year by SARS and the VAT accrual previously written off in error had to be reversed to match the refund.

Correction of retention creditors misposted amounting to R16 169 060. During the 2012/13 financial year audit it was noted that retentions amounting to R16 169 060 were not posted in the correct accounting period, the error was corrected and amount was restated.

Correction of payroll suspense accounts amounting to R45 165. During the year 2012/13 financial year there was uncleared payroll suspense/ accrual accounts which were reconciled and cleared during this financial year. There were errors noted that required us to adjust the prior years as they were misposts.

Correction of VIP toilets amounting to R70 152 043 that were disclosed as the municipalities assets under construction. During the audit of property, plant and equipment (PPE) and from the sample selected it was noted that there were VIP toilets that were built by the municipality for the community and they were included in PPE as assets under construction. These toilets are built in the houses of the community and when they are completed they are used by the households therefore the municipality does not have control over these toilets after they are finished. The VIP toilets amounting to R70 152 043 were written off in the period they were incurred.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2014	2013	2014	2013	
<b>33. Correction of Errors (continued)</b>					
The correction of the error(s) results in the adjustments to the 2012/13 final audited annual financial statements as follows:	-	-	-	-	
	<b>Note(s)</b>	<b>2012/13 As previously reported</b>	<b>2012/13 Re-Classification</b>	<b>2012/13 Correction of error</b>	<b>2012/13 Restated</b>
Statement of financial position		-	-	-	-
Other receivables from non-exchange transactions		52 207 448	-	(45 165)	52 162 283
VAT receivable		19 958 071	-	5 154 945	25 113 016
Property, plant and equipment		1 311 718 602	-	(70 152 043)	1 241 566 559
Consumer deposits		(4 825 329)	-	2 326 663	(2 498 666)
Current Portion of Provisions		(3 470 000)	3 259 674	-	(210 326)
Other current financial liabilities		(18 038 171)	-	16 231 972	(1 806 199)
Trade And Other Payables From Exchange Transactions		(108 019 559)	-	33 016 091	(75 003 468)
Unspent conditional grants and receipts		(61 032 905)	-	(16 169 060)	(77 201 965)
Non-Current Portion of Provisions		-	(3 259 674)	-	(3 259 674)
Accumulated surplus		(1 376 295 430)	-	29 617 994	(1 346 677 436)
Statement of financial performance		-	-	-	-
Service Charges		41 921 356	-	18 603	41 939 959
Repairs and maintenance		(26 127 785)	-	4 328 414	(21 799 371)
Bulk Purchases		(95 481 766)	-	19 214 191	(76 267 575)
Contracted Services		(8 629 715)	-	1 052 868	(7 576 847)
General Expenses		(97 206 706)	-	8 420 617	(88 786 089)
		<b>(373 321 889)</b>	<b>-</b>	<b>33 016 090</b>	<b>(340 305 799)</b>

### 34. Unauthorised expenditure

#### Reconciliation of unauthorised expenditure

Opening balance	18 797 268	18 797 268	18 797 268	18 797 268
Unauthorised expenditure current year	34 798 066	-	34 798 066	-
	<b>53 595 334</b>	<b>18 797 268</b>	<b>53 595 334</b>	<b>18 797 268</b>

Unauthorised expenditure was incurred as a result of over expenditure on the approved budget and will be taken into account in the 2014/15 adjustment budget per Council Resolution.

### 35. Fruitless and wasteful expenditure

#### Reconciliation of fruitfulness and wasteful expenditure

Opening balance	2 107 641	2 082 416	2 048 373	2 023 148
Fruitless and wasteful expenditure current year	653 670	25 225	601 509	25 225
	<b>2 761 311</b>	<b>2 107 641</b>	<b>2 649 882</b>	<b>2 048 373</b>

This expenditure incurred as a result of interest accrued due to late clearance of manual cheque payments. As corrective measure an electronic funds transfer (EFT) payment method has been introduced and is in operation.



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>36. Irregular expenditure</b>				
<b>Reconciliation of irregular expenditure</b>				
Opening Balance	615 463 008	343 938 509	615 463 008	343 938 509
Irregular Expenditure - current year	559 333 968	248 608 307	559 333 968	248 608 307
Condoned or written off by Council	-	-	-	-
Transfer to receivables for recovery (not condoned)	-	-	-	-
	<b>1 174 796 976</b>	<b>592 546 816</b>	<b>1 275 503 786</b>	<b>592 546 816</b>

The irregular expenditure submitted for the 2013/14 financial year was incomplete as other transactions were identified by Auditor General and the irregular expenditure was updated accordingly. This expenditure incurred as a result of non-compliance with SCM procedures. They are under investigation by both Provincial Treasury and COGTA.

### Service providers in the service of the state

During the preparation of 2013/14 financial statements, all service providers engaged were verified and checked whether they are in service of the state. It was discovered that the following expenditure was incurred for service providers who are in service of the state and was regarded as irregular expenditure.

Total Expenditure	<b>55 395 173</b>	<b>13 091 192</b>	<b>55 395 173</b>	<b>13 091 192</b>
-------------------	-------------------	-------------------	-------------------	-------------------

An award of R228,080 was made to employees in the service of the municipality. Mr MS Msane (Councillor) was awarded R196,080 through Lucky Five Construction cc and Miss NS Mdletshe (Accountant: Budget & Reporting) was awarded R32,000 through Sthasthe Construction and Trading.

An award of R23,750 was made to Uzoyisholo Wena Trading who is a spouse to a person in the service of the state (Ms S Mabuza - Secretary to the Executive Director: Planning)

### **An award to partners or associate of employees or councillors not declared and employees that did not declare their interests**

1. Mr P.M Mhlanzi (employee of the municipality) who is a business partner with Phindithemba Mpumelelo Manqele (former employee of the municipality) on PPN Building Construction and Services who was awarded R6 153.11 through Impumelelo Development Programme.
2. Mr M.E. Nxumalo (employee of the municipality) who is a business partner with Dokotela Jonathan Mthembu (employee of the municipality) on Maputaland Community radio who was awarded R5 972 117.80 through Joma Holdings cc.
3. Mr M.E. Gumbi (employee of the municipality) who is a business partner with Raymond Senzo Gumbi (not employee of the municipality) on Isinwazi Coop Ltd who was awarded R156 400 through Izigi Zethu Trading.
4. Mr E.S Mngoma (employee of the municipality) who is a business partner with Siyamthanda Gugulethu Zungu (not employee of the municipality) on Sezesuliwe Funeral Services who was awarded R267 000.00 through Gugulami Holdings (Pty) Ltd.
5. Mr M.E. Nxumalo (employee of the municipality) who is a business partner with Thandokuhle Danie Mathenjwa (not employee of the municipality) on Maputaland Community Radio who was awarded R781 763.76 through Nyala Development Solutions (Pty) Ltd.
6. Mr S.J. Vilane (councillor) who is a business partner with Gary Cason (not a councillor) on Umthombo Aqua Construction who was awarded R1 177 979.43 through Hydro Services and Fabrications cc.
7. Mr S.H. Nxumalo (councillor) who is a business partner with Maqavithi Samuel Gumede (not a councillor) on Men to Men Contractor who was awarded R33 000 through Lake Sibayi Community Services.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>37. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>External &amp; Internal Audit fees</b>				
Opening balance - external audit fees	129 280	46 578	129 280	46 578
Current year external audit fees	3 449 004	3 211 504	3 238 391	3 211 504
Amount paid - current year external audit fees	(3 449 004)	(3 128 802)	(3 238 391)	(3 128 802)
Amount paid - previous years external audit fees	(129 280)	-	(129 280)	-
	<u>-</u>	<u>129 280</u>	<u>-</u>	<u>129 280</u>
Opening balance - Internal audit fees	-	-	-	-
Current year internal audit fees	533 905	-	441 790	-
Amount paid - current year internal audit fees	(533 905)	-	(441 790)	-
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pension</b>				
Opening balance	823 846	-	823 846	-
Current year pension fees	10 989 359	4 810 950	10 989 359	4 810 950
Amount paid - current year	(10 447 153)	(3 987 104)	(10 447 153)	(3 987 104)
Amount paid - previous years	-	-	-	-
<b>Balance unpaid (included in payables)</b>	<u>1 366 052</u>	<u>823 846</u>	<u>1 366 052</u>	<u>823 846</u>
<b>Medical Aid</b>				
Opening balance	356 102	-	356 102	-
Current year pension fees	3 043 384	2 214 032	3 043 384	2 214 032
Amount paid - current year	(2 960 437)	(1 857 930)	(2 960 437)	(1 857 930)
	<u>439 049</u>	<u>356 102</u>	<u>439 049</u>	<u>356 102</u>
<b>PAYE</b>				
Opening balance	836 572	-	836 572	-
Current year PAYE	20 431 619	8 053 047	20 431 619	8 053 047
Amount paid - current year	(20 461 131)	(7 216 475)	(20 461 131)	(7 216 475)
Amount paid - previous years	-	-	-	-
	<u>807 060</u>	<u>836 572</u>	<u>807 060</u>	<u>836 572</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>37. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
<b>SALGA Fees</b>				
Current year SALGA fees	(1 039 426)	(601 440)	(1 039 426)	(601 440)
Amount paid - current year	1 039 426	601 440	1 039 426	601 440
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### VAT

VAT output payables and VAT input receivables are shown in note 5. All VAT returns have been submitted by the due date throughout the year.

### NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT:

**Non-compliance with Supply Chain Management Procedures** - There has been a material non-compliance with SCM procedures and hence irregular expenditure is disclosed above per note 35.

There were some service providers that were not paid within the stipulated 30 working days.

### Non-compliance with MFMA Reporting Requirements:

The following MFMA returns have not been submitted on time to Provincial and National Treasury .

- Appendix B - Budget Returns i.e Asset Management.
- Signed copies of quarterly verifications for quarter 4.
- Mid-year Budget Performance Assessment.
- Not all of the required documents were updated on the National Treasury Website.

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

<b>30 June 2014</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Councillor Gumbi DL	-	10 514	10 514
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	22 526	22 526
Councillor Moodley GP	9 908	239 100	249 008
Councillor Vilane SJ	5 298	114 473	119 771
	<u>15 206</u>	<u>386 630</u>	<u>401 836</u>
<b>30 June 2013</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Councillor Gumbi DL	1 415	6 997	8 412
Councillor Nyawo Z	-	17	17
Councillor Zungu MC	-	20 859	20 859
Councillor Vilane SJ	6 728	84 858	91 586
	<u>8 143</u>	<u>112 731</u>	<u>120 874</u>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013
<b>38. Capital Commitments</b>				
<b>Commitments in respect of capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	-	-	335 265 433	363 749 382
• Non-capital commitments	-	-	20 904 828	1 475 158
	<u>-</u>	<u>-</u>	<u>356 170 261</u>	<u>365 224 540</u>
<b>Approved but not yet contracted for</b>				
• Infrastructure	-	-	141 043 318	-
	<u>-</u>	<u>-</u>	<u>141 043 318</u>	<u>-</u>

These commitments include commitments for outer years.

### This expenditure was financed from:

Grants	-	-	476 308 751	363 749 382
Government Grant (Equitable Share)	-	-	20 904 828	1 475 158

These commitments include commitments for outer years.

The municipality has commitments in which the following service providers were appointed without Rand values:

Rand Water, Neslife, Rural Pumps (Pvt) Ltd, Reniassance Joint Venture, Rennies Travel and Harvey World Travel.

### 39. IMPRACTICABILITY IN SUPPORTING COMPARATIVES

On 29 February 2012 the wing of finance department in the main offices of uMkhanyakude District Municipality were burnt which resulted in financial records being burnt down. In the previous years the municipality could not support some of the trade creditors/payables as follows:

Trade creditors that could not be supported in previous years	16 983 000	25 026 000	16 983 000	25 026 000
Less: Total creditors documents recovered during the year under review	(11 772 367)	(8 043 000)	(11 772 367)	(8 043 000)
<b>Total creditors documents still outstanding</b>	<u>5 210 633</u>	<u>16 983 000</u>	<u>5 210 633</u>	<u>16 983 000</u>

This issue is still under investigation by South African Police Service (SAPS).

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 40. CONTINGENCIES

#### Contingent Liabilities

Contingent Liability as a result of Wage Curve Agreement:

The job evaluation was not conducted by the Municipality as per Wage Curve Agreement and employees were not paid according to their skills hence there is a possibility that the Municipality might be owing its employees.

**The Municipality had the following contingent liabilities as at 30 June 2014.**

	Source of Funding	Legal Fees	Amount
Umkhanykude District Municipality (DC27) has an outstanding claim of around R1,624,253 which the defendant (Amanzi Earthmoving (Pty) Ltd) may pursue at any time.	Amanzi Earthmoving (Pty) Ltd	100 000	1 624 253
Umkhanykude District Municipality is in a matter over the eviction of Mr Spatt from the Mkuze Airport and the estimated cost is between R300 000 to R500 000.	DC27	75 000	200 000
Legal fees due to the lawyers (Shepstone and Wylie).	DC27	46 608	-
Umkhanykude District Municipality in its capacity as garnishee was ordered by the courts to pay the amount of R246 462.52 (principal debt) plus costs of R6 390.52 to be paid on behalf of Circle Reinforcing (Pty) Ltd/Amanzi Earthmoving (Pty) Ltd. Outstanding legal fees amounted to R16 868.98.	DC27	6 391	246 463
Legal fees amounting to R1 360.89 are due to the lawyers (Shepstone and Wylie).	DC27	-	1 361
Scheepers Spies Mdaka Attorneys vs Ms. Z.P Nqwenya		-	20 000
Hlela Attorneys		-	30 000
		<u>227 999</u>	<u>2 122 077</u>

### 41. Related parties

Disclosure of directors remuneration and councillors remuneration has been made in note(s) 22 & 24. ]

### 42. Events after the reporting date

There was an event that occurred after the reporting date. A service provider appointed by the municipality requested for an escalation in the contract price as a result of transportation and offloading costs. No adjusting entries will be processed currently as the matter is still being handled by the municipality's attorneys (Shepstone & Wylie) and has not yet been resolved.

### 43. Key Sources of Estimation Uncertainty and Judgements

**The following areas involve a significant degree of estimation uncertainty:**

Impairment of assets.

Provision for long service awards.

Useful lives and residual values of property, plant, and equipment.

Water losses amounting to R36 209 490.36 and electricity losses amounting to R9 332 446.33.

- - - -

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

#### 44. Risk management

##### Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings from DBSA.

At year end, financial instruments exposed to interest rate risk were as follows:

FNB Bank Call deposits.

FNB Bank, Nedbank & ABSA Bank Notice deposits.

Loan from Development Bank of South Africa.

##### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they become due. The municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### The following liabilities were due within 1 month:

Consumer Deposits R1 845 033 (2014) R2 498 666 (2013), Other current financial liabilities R3 826 791 (2014) R1 787 596 (2013) Trade and other payables from exchange transactions R123 438 532 (2014) R75 003 467 (2013).

##### The following liabilities were due from 1 month to 12 months:

Unspent Conditional Grants and Receipts R21 851 008 (2014) R77 201 965 (2013), Provision R109 013 (2014) R210 326 (2013), Borrowings R1 557 241 (2014) R821 476 (2013) and Finance Lease Liability R458 832 (2014) R220 230 (2013).

##### Maximum credit risk exposure

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The investments are diversified among the reputable commercial banks.

The consumer debtors are settled on a monthly basis. Upon the new connections the consumers paid deposit in advance.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 45. Water & Electricity Losses

#### Water Losses

The municipality incurred 84.61% water losses for the 2013/14 financial year 64.9% (2013). The value of the losses incurred amounted to R36 209 490.36(2014) R25 119 747.85 (2013).

The municipality incurred 56% electricity losses for the 2013/14 financial year 17.44% (2013). The value of the losses incurred amounted to R9 332 446.33 (2014) R3 388 280.52 (2013)

### 46. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2014

	<b>Accumulated Surplus</b>	<b>Total</b>
Current year balance	1 445 998 590	1 445 998 590
Items under investigation	3 804 788	3 804 788
	<b><u>1 449 803 378</u></b>	<b><u>1 449 803 378</u></b>

#### Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2013

	<b>Accumulated Surplus</b>	<b>Total</b>
Current year balance	1 344 152 859	1 344 152 859
Items under investigation	3 804 788	3 804 788
	<b><u>1 347 957 647</u></b>	<b><u>1 347 957 647</u></b>

#### Ring-fenced internal funds and reserves within accumulated surplus - 2014

	<b>Accumulated Surplus</b>	<b>Total</b>
Current year balance	1 444 069 194	1 444 069 194
Items under investigation	3 804 788	3 804 788
	<b><u>(1 447 873 982)</u></b>	<b><u>(1 447 873 982)</u></b>

#### Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2013

	<b>Accumulated Surplus</b>	<b>Total</b>
Current year balance	1 342 872 649	1 342 872 649
Items under investigation	3 804 788	3 804 788
	<b><u>1 346 677 437</u></b>	<b><u>1 346 677 437</u></b>

### 47. Revenue

Service charges	43 573 187	41 939 959	43 573 187	41 939 959
Rental of facilities and equipment	106 871	103 940	106 871	103 940
Interest received (trading)	4 462 481	1 538 146	4 462 481	1 538 146
Other income	2 078 013	1 055 715	2 035 531	679 842
Interest received - investment	6 842 770	12 679 849	6 708 719	12 524 641
Government grants & subsidies	515 350 291	455 125 424	514 225 333	450 554 429
	<b><u>572 413 613</u></b>	<b><u>512 443 033</u></b>	<b><u>571 112 122</u></b>	<b><u>507 340 957</u></b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2014

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2014	2013	2014	2013

### 47. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	43 573 187	41 939 959	43 573 187	41 939 959
Rental of facilities and equipment	106 871	103 940	106 871	103 940
Interest received	4 462 481	1 538 146	4 462 481	1 538 146
Other income	2 078 013	1 055 715	2 035 531	679 842
Interest received - investment	6 842 770	12 679 849	6 708 719	12 524 641
	<b>57 063 322</b>	<b>57 317 609</b>	<b>56 886 789</b>	<b>56 786 528</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation Revenue

#### Grants Revenue

Government grants & subsidies	<u>515 350 291</u>	<u>455 125 424</u>	<u>514 225 333</u>	<u>450 554 429</u>
-------------------------------	--------------------	--------------------	--------------------	--------------------

### 48. Operating lease obligation

At the reporting date the agency has outstanding commitments under operating leases which fall due as follows:

- within one year	48 903	48 903	-	-
- later than five years	97 806	146 709	-	-
<b>Present value of minimum lease payments</b>	<b>146 709</b>	<b>195 612</b>	<b>-</b>	<b>-</b>

Operating lease payments represent rentals payable by the agency for certain photocopying machine. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

### 49. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 1 449 803 378. The current liabilities exceeded its total assets by R13,88million; certain unspent conditional grants are not cashed back, and large increase in the provision for doubtful debts due to debtors not collectable or indigent debtors.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government continue funding for the ongoing operations for the municipality to restore the solvency of the municipality.



**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	1 157 250	-	-	-	-	-	1 157 250	-	-	-	-	-	-	1 157 250
Buildings (Separate for AFS purposes)	35 878 244	-	(3 225)	-	-	-	35 875 019	(7 494 131)	-	651	(1 351 927)	(47 709)	(8 893 116)	26 981 903
	<b>37 035 494</b>	<b>-</b>	<b>(3 225)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37 032 269</b>	<b>(7 494 131)</b>	<b>-</b>	<b>651</b>	<b>(1 351 927)</b>	<b>(47 709)</b>	<b>(8 893 116)</b>	<b>28 139 153</b>
<b>Infrastructure</b>														
Electricity	12 429 970	-	-	-	-	-	12 429 970	(1 236 248)	-	-	(356 582)	(19 364)	(1 612 194)	10 817 776
Roads	31 229	-	-	-	-	-	31 229	(4 371)	-	-	(624)	-	(4 995)	26 234
Airport	4 973 883	-	-	-	-	-	4 973 883	(2 139 079)	-	-	(232 044)	-	(2 371 123)	2 602 760
Water	700 426 322	-	(583 001)	8 906 313	-	-	708 749 634	(52 752 351)	(22 095)	116 091	(19 494 721)	(1 849 158)	(74 002 234)	634 747 400
Sanitation	22 735 590	-	(823 995)	741 421	-	-	22 653 016	(1 534 366)	(1 165 645)	559 962	(596 247)	(174 790)	(2 911 086)	19 741 930
	<b>740 596 994</b>	<b>-</b>	<b>(1 406 996)</b>	<b>9 647 734</b>	<b>-</b>	<b>-</b>	<b>748 837 732</b>	<b>(57 666 415)</b>	<b>(1 187 740)</b>	<b>676 053</b>	<b>(20 680 218)</b>	<b>(2 043 312)</b>	<b>(80 901 632)</b>	<b>667 936 100</b>
<b>Assets Under Construction</b>														
Buildings	30 178 259	17 059 007	-	-	-	-	47 237 266	-	-	-	-	-	-	47 237 266
Electricity	5 825 061	851 452	-	-	-	-	6 676 513	-	-	-	-	-	-	6 676 513
Water	450 440 343	223 084 968	-	-	-	-	673 525 311	-	-	-	-	-	-	673 525 311
Sanitation	93 591 094	66 994 854	-	(9 647 734)	-	-	150 938 214	-	-	-	-	-	-	150 938 214
	<b>580 034 757</b>	<b>307 990 281</b>	<b>-</b>	<b>(9 647 734)</b>	<b>-</b>	<b>-</b>	<b>878 377 304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>878 377 304</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
<b>Leased Assets</b>														
Leased Assets	887 714	1 042 916	(193 307)	-	-	-	<b>1 737 323</b>	(550 556)	-	-	(254 249)	90 128	<b>(714 677)</b>	1 022 646
	<b>887 714</b>	<b>1 042 916</b>	<b>(193 307)</b>	-	-	-	<b>1 737 323</b>	<b>(550 556)</b>	-	-	<b>(254 249)</b>	<b>90 128</b>	<b>(714 677)</b>	<b>1 022 646</b>
<b>Other Assets</b>														
Machinery and Equipment	14 652 461	41 141	(175 444)	-	156 317	-	<b>14 674 475</b>	(3 156 580)	(419 253)	88 372	(1 115 825)	(68 676)	<b>(4 671 962)</b>	10 002 513
Furniture and Office Equipment	3 652 785	1 454 130	(81 861)	-	50 293	-	<b>5 075 347</b>	(2 558 514)	(25 810)	59 576	(427 657)	(5 858)	<b>(2 958 263)</b>	2 117 084
Computer Equipment	2 428 596	359 686	(146 496)	-	56 684	-	<b>2 698 470</b>	(827 919)	(90 610)	100 541	(512 681)	(6 706)	<b>(1 337 375)</b>	1 361 095
Motor Vehicles	10 411 762	2 950 209	-	-	976 077	-	<b>14 338 048</b>	(3 837 627)	(166 807)	-	(1 433 896)	(60 705)	<b>(5 499 035)</b>	8 839 013
	<b>31 145 604</b>	<b>4 805 166</b>	<b>(403 801)</b>	-	<b>1 239 371</b>	-	<b>36 786 340</b>	<b>(10 380 640)</b>	<b>(702 480)</b>	<b>248 489</b>	<b>(3 490 059)</b>	<b>(141 945)</b>	<b>(14 466 635)</b>	<b>22 319 705</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
<b>Total property plant and equipment</b>														
Land and buildings	37 035 494	-	(3 225)	-	-	-	<b>37 032 269</b>	(7 494 131)	-	651	(1 351 927)	(47 709)	<b>(8 893 116)</b>	28 139 153
Infrastructure	740 596 994	-	(1 406 996)	9 647 734	-	-	<b>748 837 732</b>	(57 666 415)	(1 187 740)	676 053	(20 680 218)	(2 043 312)	<b>(80 901 632)</b>	667 936 100
Assets Under Construction	580 034 757	307 990 281	-	(9 647 734)	-	-	<b>878 377 304</b>	-	-	-	-	-	-	878 377 304
Leased Assets	887 714	1 042 916	(193 307)	-	-	-	<b>1 737 323</b>	(550 556)	-	-	(254 249)	90 128	<b>(714 677)</b>	1 022 646
Other Assets	31 145 604	4 805 166	(403 801)	-	1 239 371	-	<b>36 786 340</b>	(10 380 640)	(702 480)	248 489	(3 490 059)	(141 945)	<b>(14 466 635)</b>	22 319 705
	<b>1 389 700 563</b>	<b>313 838 363</b>	<b>(2 007 329)</b>	-	<b>1 239 371</b>	-	<b>1 702 770 968</b>	<b>(76 091 742)</b>	<b>(1 890 220)</b>	<b>925 193</b>	<b>(25 776 453)</b>	<b>(2 142 838)</b>	<b>(104 976 060)</b>	<b>1 597 794 908</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers	37 434	397 523	-	-	-	-	<b>434 957</b>	(7 808)	-	-	(99 792)	-	<b>(107 600)</b>	327 357
	<b>37 434</b>	<b>397 523</b>	-	-	-	-	<b>434 957</b>	<b>(7 808)</b>	-	-	<b>(99 792)</b>	-	<b>(107 600)</b>	<b>327 357</b>
<b>Investment properties</b>														
<b>Total</b>														
Land and buildings	37 035 494	-	(3 225)	-	-	-	<b>37 032 269</b>	(7 494 131)	-	651	(1 351 927)	(47 709)	<b>(8 893 116)</b>	28 139 153
Infrastructure	740 596 994	-	(1 406 996)	9 647 734	-	-	<b>748 837 732</b>	(57 666 415)	(1 187 740)	676 053	(20 680 218)	(2 043 312)	<b>(80 901 632)</b>	667 936 100
Assets Under Construction	580 034 757	307 990 281	-	(9 647 734)	-	-	<b>878 377 304</b>	-	-	-	-	-	-	878 377 304
Leased Assets	887 714	1 042 916	(193 307)	-	-	-	<b>1 737 323</b>	(550 556)	-	-	(254 249)	90 128	<b>(714 677)</b>	1 022 646
Other Assets	31 145 604	4 805 166	(403 801)	-	1 239 371	-	<b>36 786 340</b>	(10 380 640)	(702 480)	248 489	(3 490 059)	(141 945)	<b>(14 466 635)</b>	22 319 705
Intangible assets	37 434	397 523	-	-	-	-	<b>434 957</b>	(7 808)	-	-	(99 792)	-	<b>(107 600)</b>	327 357
	<b>1 389 737 997</b>	<b>314 235 886</b>	<b>(2 007 329)</b>	-	<b>1 239 371</b>	-	<b>1 703 205 925</b>	<b>(76 099 550)</b>	<b>(1 890 220)</b>	<b>925 193</b>	<b>(25 876 245)</b>	<b>(2 142 838)</b>	<b>(105 083 660)</b>	<b>1 598 122 265</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
<b>Land and buildings</b>														
Land	1 157 250	-	-	-	-	-	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	35 878 244	-	-	-	-	-	35 878 244	(6 241 920)	-	-	(1 252 211)	-	(7 494 131)	28 384 113
	<b>37 035 494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37 035 494</b>	<b>(6 241 920)</b>	<b>-</b>	<b>-</b>	<b>(1 252 211)</b>	<b>-</b>	<b>(7 494 131)</b>	<b>29 541 363</b>
<b>Infrastructure</b>														
Electricity	12 029 974	399 996	-	-	-	-	12 429 970	(923 638)	-	-	(312 610)	-	(1 236 248)	11 193 722
Roads	31 229	-	-	-	-	-	31 229	(3 747)	-	-	(624)	-	(4 371)	26 858
Airports	4 973 883	-	-	-	-	-	4 973 883	(1 890 994)	-	-	(248 085)	-	(2 139 079)	2 834 804
Water	699 847 337	578 985	-	-	-	-	700 426 322	(38 474 994)	-	-	(14 277 357)	(22 095)	(52 774 446)	647 651 876
Sanitation	22 547 585	188 005	-	-	-	-	22 735 590	(1 113 899)	-	-	(420 467)	(1 165 645)	(2 700 011)	20 035 579
	<b>739 430 008</b>	<b>1 166 986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>740 596 994</b>	<b>(42 407 272)</b>	<b>-</b>	<b>-</b>	<b>(15 259 143)</b>	<b>(1 187 740)</b>	<b>(58 854 155)</b>	<b>681 742 839</b>
<b>Assets Under Construction</b>														
Buildings	18 494 724	11 683 536	-	-	-	-	30 178 260	-	-	-	-	-	-	30 178 260
Electricity	-	5 825 061	-	-	-	-	5 825 061	-	-	-	-	-	-	5 825 061
Water	264 319 321	186 121 022	-	-	-	-	450 440 343	-	-	-	-	-	-	450 440 343
Sanitation	50 908 135	42 682 959	-	-	-	-	93 591 094	-	-	-	-	-	-	93 591 094
	<b>333 722 180</b>	<b>246 312 578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580 034 758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580 034 758</b>

UMKHANYAKUDE DISTRICT MUNICIPALITY  
UMKHANYAKUDE DISTRICT MUNICIPALITY

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2013  
Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
<b>Leased Assets</b>														
Leased Assets	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(256 071)	-	(550 556)	337 158
	<b>887 714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>887 714</b>	<b>(294 485)</b>	<b>-</b>	<b>-</b>	<b>(256 071)</b>	<b>-</b>	<b>(550 556)</b>	<b>337 158</b>
<b>Other assets</b>														
Motor vehicles	5 701 571	4 710 192	-	-	-	-	10 411 763	(3 068 317)	-	-	(769 311)	(166 807)	(4 004 435)	6 407 328
Plant & equipment	5 850 063	8 802 399	-	-	-	-	14 652 462	(2 321 416)	-	-	(835 164)	(419 253)	(3 575 833)	11 076 629
Computer Equipment	1 528 550	900 046	-	-	-	-	2 428 596	(492 329)	(2 646)	-	(335 591)	(87 965)	(918 531)	1 510 065
Furniture & Fittings	3 486 680	166 105	-	-	-	-	3 652 785	(2 136 898)	(7 963)	-	(421 616)	(17 847)	(2 584 324)	1 068 461
	<b>16 566 864</b>	<b>14 578 742</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31 145 606</b>	<b>(8 018 960)</b>	<b>(10 609)</b>	<b>-</b>	<b>(2 361 682)</b>	<b>(691 872)</b>	<b>(11 083 123)</b>	<b>20 062 483</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Appendix B**

June 2014

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
<b>Total property plant and equipment</b>														
Land and buildings	37 035 494	-	-	-	-	-	<b>37 035 494</b>	(6 241 920)	-	-	(1 252 211)	-	<b>(7 494 131)</b>	29 541 363
Infrastructure	739 430 008	1 166 986	-	-	-	-	<b>740 596 994</b>	(42 407 272)	-	-	(15 259 143)	(1 187 740)	<b>(58 854 155)</b>	681 742 839
Assets Under Construction	333 722 180	246 312 578	-	-	-	-	<b>580 034 758</b>	-	-	-	-	-	-	580 034 758
Leased Assets	887 714	-	-	-	-	-	<b>887 714</b>	(294 485)	-	-	(256 071)	-	<b>(550 556)</b>	337 158
Other assets	16 566 864	14 578 742	-	-	-	-	<b>31 145 606</b>	(8 018 960)	(10 609)	-	(2 361 682)	(691 872)	<b>(11 083 123)</b>	20 062 483
	<b>1 127 642 260</b>	<b>262 058 306</b>	-	-	-	-	<b>1 389 700 566</b>	<b>(56 962 637)</b>	<b>(10 609)</b>	-	<b>(19 129 107)</b>	<b>(1 879 612)</b>	<b>(77 981 965)</b>	<b>1 311 718 601</b>
<b>Intangible assets</b>														
Computers - software	37 434	-	-	-	-	-	<b>37 434</b>	(326)	-	-	(7 482)	-	<b>(7 808)</b>	29 626
	<b>37 434</b>	-	-	-	-	-	<b>37 434</b>	<b>(326)</b>	-	-	<b>(7 482)</b>	-	<b>(7 808)</b>	<b>29 626</b>
<b>Total</b>														
Land and buildings	37 035 494	-	-	-	-	-	<b>37 035 494</b>	(6 241 920)	-	-	(1 252 211)	-	<b>(7 494 131)</b>	29 541 363
Infrastructure	739 430 008	1 166 986	-	-	-	-	<b>740 596 994</b>	(42 407 272)	-	-	(15 259 143)	(1 187 740)	<b>(58 854 155)</b>	681 742 839
Assets Under Construction	333 722 180	246 312 578	-	-	-	-	<b>580 034 758</b>	-	-	-	-	-	-	580 034 758
Leased Assets	887 714	-	-	-	-	-	<b>887 714</b>	(294 485)	-	-	(256 071)	-	<b>(550 556)</b>	337 158
Other assets	16 566 864	14 578 742	-	-	-	-	<b>31 145 606</b>	(8 018 960)	(10 609)	-	(2 361 682)	(691 872)	<b>(11 083 123)</b>	20 062 483
Intangible assets	37 434	-	-	-	-	-	<b>37 434</b>	(326)	-	-	(7 482)	-	<b>(7 808)</b>	29 626
	<b>1 127 679 694</b>	<b>262 058 306</b>	-	-	-	-	<b>1 389 738 000</b>	<b>(56 962 963)</b>	<b>(10 609)</b>	-	<b>(19 136 589)</b>	<b>(1 879 612)</b>	<b>(77 989 773)</b>	<b>1 311 748 227</b>

# **ANNEXURE B**

**AUDITOR GENERAL'S REPORT**

# **REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UMKHANYAKUDE DISTRICT MUNICIPALITY**

## **REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the consolidated and separate financial statements of the uMkhanyakude District Municipality set out on pages xx to xx, which comprise, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement, the statement of comparison of budget information with actual information for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the consolidated and separate financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No.2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-General's responsibility**

3. My responsibility is to express an opinion on the consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.



## **Basis for qualified opinion**

### **Revenue and Receivable from exchange transactions**

5. I was unable to obtain sufficient appropriate audit evidence that management had properly charged and accounted for all service charge revenue due to inadequate internal controls in the billing and estimation thereof. I was unable to confirm the service charge revenue by alternative means. Consequently, I was unable to determine whether any adjustment to service charges stated at R43,57 million in note 16 and the related receivables from exchange transactions stated at R13,57 million in note 3 to the financial statements were necessary.

### **Other Receivables from exchange transactions**

6. I was unable to obtain sufficient appropriate audit evidence for other receivables from exchange transactions due to the lack of supporting documentation in respect of agreements to support the amount recorded. I was unable to conduct alternative procedures to verify this amount. Consequently I was unable to determine whether any adjustment relating to receivables from exchange transactions stated at R2,55 million disclosed in note 4 to the financial statements was necessary.

### **Water and electricity losses**

7. I was unable to obtain sufficient appropriate audit evidence for the R36, 21 million (2013: R25,12 million), and R9,33 million (2013: R3,39 million) disclosed as water and electricity losses respectively in note 45 to the financial statements due to inadequate systems and processes for the recording and monitoring of these losses. There were no satisfactory alternative audit procedures that I could perform in this regard. Consequently, I was unable to determine whether any adjustment relating to the water and electricity losses stated at R36,21 million (2013: R25,12 million), and R9,33 million (2013: R3,39 million) disclosed in note 45 to the financial statements was necessary.

### **Inventory**

8. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for water pipe inventory, due to the status of the accounting records. I was unable to confirm the inventory by alternative means. Consequently, I was unable to determine whether any adjustment to inventory stated at R86,84 million disclosed in note 2 to the financial statements was necessary.

### **Provision for leave**

9. I was unable to obtain sufficient appropriate audit evidence that the provision for leave pay included all leave days taken by employees due to the municipality not having adequate procedures and systems in place to maintain records of leave. I was unable to confirm the provision for leave pay by alternative means. Consequently, I was unable to determine whether any adjustment to the provision for leave pay stated at R10,17 million in note 10 to the financial statements was necessary.

### **Payables from exchange transactions**

10. I was unable to obtain sufficient appropriate audit evidence that management had fully accounted for all payables from exchange transactions due to the lack of supporting documentation for the prior years' payables, as a result of a fire, which destroyed these records, stated at R5,21 million (2013: R16,98 million) as disclosed in note 39 to the financial statements. I was unable to confirm the payables by alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions stated at

R86,79 million (2013: R30,22 million) disclosed in note 10 to the financial statements was necessary.

## **Qualified opinion**

11. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the uMkhanyakude District Municipality as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with the the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Going concern**

13. As disclosed in note 49 to the financial statements the municipality has unspent conditional grants of R23,60 million during the year ended 30 June 2014, which are not adequately cash backed, and as of that date, the municipality's current liabilities exceeded its total assets by R13,88 million. These conditions, along with other matters as disclosed in note 49, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

## **Restatement of corresponding figures**

14. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of an error discovered during 30 June 2014 in the financial statements of the uMkhanyakude District Municipality at, and for the year ended, 30 June 2013.

## **Unauthorised expenditure**

15. As disclosed in note 34 to the financial statements, the municipality incurred unauthorised expenditure of R53,60 million in the 2013/2014 financial year as a result of overspending of the approved budget.

## **Irregular expenditure**

16. As disclosed in note 36 to the financial statements, the municipality incurred irregular expenditure of R559,33 million in the 2013/2014 financial year as a result of proper supply chain management processes not being followed.

## **Additional matters**

17. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Unaudited supplementary schedules**

18. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

19. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

20. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

21. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:

Objective 1: To provide access to quality, affordable and reliable municipal services on pages xx of xx

Objective 2: To provide free basic service on pages xx of xx

Objective 3: Regular investment in infrastructure in order to improve on operations and maintenance pages xx of xx

22. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
23. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPPI)*.
24. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
25. The material findings in respect of the selected objectives are as follows:

**To provide access to quality, affordable and reliable municipal services; To provide free basic service; Regular investment in infrastructure in order to improve on operations and maintenance.**

### Usefulness of reported performance information

#### Measurability of indicators and targets

#### Performance indicators not well defined

26. The FMPPPI requires that performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. All of the indicators were not well defined. This was because management was not aware of and

therefore did not adhere to the requirements of the FMPPPI due to a lack of proper systems and processes.

## **Reliability of reported performance information**

### **Validity, accuracy and completeness**

27. The FMPPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of frequent review of the validity of reported achievements against source documentation. There was also a lack of communication and coordination between the different departments within the municipality to ensure accurate information is reported for the performance targets.

### **Additional matter**

28. I draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

### **Achievement of planned targets**

29. Refer to the annual performance report on page xx of xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objectives reported in paragraphs 22 to 28 of this report.

### **Unaudited supplementary information**

30. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not express a conclusion thereon.

### **Compliance with legislation**

31. I performed procedures to obtain evidence that the municipality has complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation as set out in the general notice issued in terms of the PAA are as follows:

### **Strategic planning and performance management**

32. The annual performance objectives and indicators were not established by agreement with the parent municipality and included in the municipal entity's multi-year business plan, as required by section 93B(a) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000)(MSA).

33. The performance of Umhlosinga Development Agency against the agreed performance objectives and indicators was not monitored and annually reviewed, as part of the annual budget process, as required by section 93B(b) of the MSA.

34. The annual performance report of the municipality for the year under review did not include a comparison of the performance with set targets and a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1) (b) and (c) of the MSA.

35. The budget was not consistent with the service delivery agreement between the municipal entity and the parent municipality, as required by section 87(5)(b) of the MFMA.

## **Budget**

36. Expenditure was incurred by the municipality in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

## **Annual financial statements**

37. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted consolidated and separate financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the consolidated and separate financial statements receiving a qualified audit opinion.
38. The annual return of the municipal entity for the year 2013 was not filed with the Commissioner of the Companies and Intellectual Property Commission, as required by section 33 of the Companies Act of South Africa, 2008 (Act No.71 of 2008) and prescribed in Companies Regulations 30(1).

## **Audit committee**

39. A performance audit committee of the municipality was not in place, as required by section 166(1) of the MFMA.
40. The audit committee of the municipality did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
41. The audit committee of the municipality did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
42. The audit committee of the municipality did not review the municipality's performance management system or make recommendations to the council, as required by Municipal planning and performance management regulation 14(4)(a)(ii).
43. The audit committee of the municipality did not review the quarterly internal audit reports on performance measurement, as required by Municipal planning and performance management regulation 14(4)(a)(i).
44. The audit committee of the municipality did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal planning and performance management regulation 14(4)(a)(iii).
45. The audit committee of the municipality did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

## **Internal audit**

46. The internal audit unit of the municipality did not function as required by section 165(2) of the MFMA, in that, it did not report to the audit committee on the implementation of the internal plan and it did not report to the audit committee on matters relating to internal audit and internal controls accounting procedures and practices.

## **Procurement and contract management**

47. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by Supply Chain Management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
48. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
49. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
50. Awards were made to providers of the municipality who are in the service of other state institutions or whose directors or principal shareholders are in the service of other state institutions, in contravention of section 112(j) of MFMA and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
51. A list of accredited prospective providers of the municipality was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).
52. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).
53. Contracts and quotations were awarded to providers whose tax matters had not been declared to be in order, as required by SCM regulation 43.
54. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
55. Sufficient appropriate audit evidence could not be obtained that bid adjudication of the municipality was always done by committees which were composed in accordance with SCM regulation 29(2).
56. Reasonable steps were not taken by the municipality to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

## **Human resource management**

57. Job descriptions were not established for all posts of the municipality in which appointments were made in the current year, in contravention of section 66(1)(b) of MSA.

## **Revenue management**

58. An effective system of internal control for debtors and revenue was not in place in the municipality, as required by section 64(2)(f) of the MFMA.

## **Internal control**

59. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with legislation. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

## Leadership

60. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations.

## Financial and performance management

61. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial; performance and compliance reporting. In this regard, the management did not ensure that regular, accurate and complete financial and performance reports were prepared, which were supported and evidenced by reliable information.

## Governance

62. The internal audit and audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.

## OTHER REPORTS

### Investigations

63. A total of six investigations have been completed during the year in respect of procurement fraud, SCM irregularities identified and cash stolen in the bank. Disciplinary hearings have been initiated against employees. These investigations have been reported to the South African Police Service.

64. Two investigations are in progress in respect of procurement and SCM compliance, financial misconduct, the documents burnt in the fire and in respect of irregular recruitment processes.

*Auditor-General*  
Pietermaritzburg

19 December 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **ANNEXURE C**

**AUDIT ACTION PLAN**



**DETAILED CORRECTIVE MEASURES IN ADDRESSING ISSUES RAISED BY AUDITOR-GENERAL IN 2013/2014 ANNUAL AUDIT: UMKHANYAKUDE DISTRICT MUNICIPALITY**

**1. BACKGROUND**

In terms of section 131 of the MFMA the municipality must deal with all issues raised by Auditor-General in his audit.

Therefore it is against this back ground that the corrective measures have been developed to address issues raised by Auditor-General in his 2013/2014 Audit Report, which are implemented in 2014/2015 supplementing 2014/2015 Financial Management Strategy developed which is currently under implementation in 2014/2015 thereof .

**2. HISTORY OF AUDIT OPINIONS FOR UMKHANYAKUDE IN THE PREVIOUS THREE (3) YEARS**

The below refers to the brief history of Audit Opinions including the current opinion that has been experienced by the municipality over the years, which is viewed as an important yardstick to gauge the municipality the direction it is leading to, whether to positive or negative direction:

<b>NO.</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014 (i.e. Current)</b>
1.	Adverse Audit Opinion	Disclaimer Audit Opinion	Qualified Audit Opinion	Qualified Audit Opinion

Over the difficult circumstances, it is worth mentioning that the municipality is leading to a positive direction since 2012/2013 to 2013/2014 as Auditor-General has been able to express an opinion on the Annual Financial Statements (AFS) of the municipality which in overall fairly present in all material respects expect for the possible effects of items in the **“Qualification Paragraph”**. Such must be proved as an encouraging and positive results. However it is still worrying as the municipality has not improved to at least **“UNQUALIFIED WITH OTHER MATTERS”**. Therefore a collective effort is required in all levels within the municipality to improve the 2014/2015 Audit Outcome hence the Corrective Measures stated below have been compiled to realize Audit Outcome Improvement. In addition what is important is the Monitoring and Evaluation of the Implementation of these Corrective Measures by all Council Structures (e.g. MANCO, Portfolio Committees, MPAC, AUDIT COMMITTEE, EXCO AND COUNCIL) on a monthly basis.

### 3. DETAILED CORRECTIVE MEASURES

The following are the detailed corrective measures to address the issues raised by Auditor-General in his 2013/2014 Audit Report, which must be implemented in 2014/2015 financial year to improve audit opinion for the better.

#### 3.1. BASIS FOR QUALIFIED AUDIT OPINION ITEMS

NO .	DESCRIPTION OF THE AUDIT FINDING	CORRECTIVE MEASURE	RESPONSIBLE OFFICIAL	TIMEFRAME	PROGRESS STATUS TO DATE
1.	<p><b>Revenue and Receivable from exchange transactions</b></p> <p>1. I was unable to obtain sufficient appropriate audit evidence that management had properly charged and accounted for all service charge revenue due to inadequate internal controls in the billing and estimation thereof. I was unable to confirm the service charge revenue by alternative means. Consequently, I was unable to determine whether any adjustment to service charges stated at R43, 57 million in note 16 and the related receivables from exchange transactions stated at R13, 57 million in note 3 to the</p>	<p>1. Identification of all areas in all 68 wards whereby all properties are receiving water, waterborne sewerage and electricity but without meters at all and those meters that are not working including the updating of customers information for identification purposes.</p>	<p>Chief Financial Officer (CFO) / Acting CFO</p>	<p>30 September 2014</p>	<p>The exercise has been completed and the information handed to Technical Services Department for Installation of the meters.</p>

	<p>financial statements were necessary.</p>	<ol style="list-style-type: none"> <li>2. Upgrading of Billing System to ensure accurate and timely billing including automatic of correct and approved tariffs to the System and monthly issuing of bills statements to the customers and review of Exceptions Report and follow-ups made thereof.</li> <li>3. Installation of Water and Electricity Meters in all areas in priority of urban, semi-urban and rural areas. This must include the repairing of faulty meters.</li> <li>4. Reading of all meters installed in all areas and reporting faulty meters to Technical Services Department</li> <li>5. Issuing letters of demand to all customers who have not settle their debts for a period exceeding 30 days.</li> </ol>	<p>Chief Financial Officer (CFO) / Acting CFO</p>	<p>30 September 2014</p>	<p>The Billing System has been upgraded from <b>“ABACUS SYSTEM TO PASTEL SARGE AS A MORDENISED ACCOUNTING SYSTEM”</b>. The Billing Exceptions Reports are analysed and follow-ups made accordingly on a monthly basis.</p>
--	---	---	---	--------------------------	--

		<p>6. Disconnect all customers that have not settled their debts for a period exceeding 90 days.</p> <p>7. Elimination of interruptions of water supply, improper sewerage systems and electricity supply to encourage paying of services by community. This includes timely response (i.e. in the form of Service Charter / Standards) to interruptions of these services.</p> <p>8. Appointment of the Manager Revenue</p>	<p>GM: Technical Services / Acting GM: Technical Services</p> <p>Chief Financial Officer (CFO) / Acting CFO</p> <p>Chief Financial Officer (CFO) / Acting CFO</p>	<p>31 January 2015.</p> <p>Monthly</p> <p>Monthly</p>	<p>Progress to be presented on a regular basis.</p> <p>The meters are read on a monthly basis. However the accurate readings are strengthened to ensure</p>
--	--	--	---	---	---

			GM: Technical Services / Acting GM: Technical Services	Monthly	reliability. The monthly reporting of faulty meters to Technical Services will be formalized to track the records.
			GM: Technical Services / Acting GM: Technical Services	Daily	The Credit Control Unit within Revenue being re-engineered to ensure performance of this function.  The progress in this regard to be presented on a regular basis.

			Chief Financial Officer (CFO) / Acting CFO	31 January 2015	The progress in this regard to be presented on a regular basis.
--	--	--	---	-----------------	---

					The shortlisting process to be finalized not later 31 December 2014.
2.	<p><b>Other Receivables from exchange transactions</b></p> <p>2. I was unable to obtain sufficient appropriate audit evidence for other receivables from exchange transactions due to the lack of supporting documentation in respect of agreements to support the amount recorded. I was unable to conduct alternative procedures to verify this amount. Consequently I was unable to determine whether any adjustment relating to receivables from exchange transactions stated at R2, 50 million disclosed in note 4 to the financial statements was necessary.</p>	<ol style="list-style-type: none"> <li>1. Develop a policy on the use of Municipal Park homes and Guest House by Municipal Officials for approval by Council including formal agreements with those officials and market related rental price.</li> <li>2. Develop a policy on the rental of Mbazwana Thusong Centre including formal rental agreements with tenants and market related rental price.</li> <li>3. Present all long term receivables e.g. Loan to uMhlabuyalingana, LM Mthombeni, Staff to Council for formal written</li> </ol>	<p>GM: Corporate Services / Acting GM: Corporate Services</p> <p>GM: Community Services / Acting GM: Community Services</p>	<p>31 January 2015</p> <p>31 January 2015</p>	<p>The progress to be made on regular intervals.</p>

		<p>off after all attempts of recovery (if possible) including all other receivables; and</p> <p>4. Where possible recover all money due to the municipality as other receivables or if impossible write off all debts after approval granted by Council.</p>	<p>Chief Financial Officer (CFO) / Acting CFO.</p>	<p>31 January 2015</p>	<p>The progress to be made on regular intervals.</p>
			<p>Chief Financial Officer (CFO) / Acting CFO.</p>	<p>28 February 2015</p>	<p>The progress to be made on a regular interval.</p>



					The progress to be made on a regular interval.
3.	<p><b>Water and electricity losses</b></p> <p>3. I was unable to obtain sufficient appropriate audit evidence for the R36, 21 million (2013: R25, 12 million), and R9, 33 million (2013: R3, 39 million) disclosed as water and electricity losses respectively in note 45 to the financial statements due to inadequate systems and processes for the recording and monitoring of these losses. There were no satisfactory alternative audit procedures that I could perform in this regard. Consequently, I was unable to determine whether any adjustment relating to the water and electricity losses stated at R36, 21 million (2013: R25, 12 million), and R9, 33 million (2013: R3, 39 million) disclosed in note 45 to the financial statements was necessary.</p>	<ol style="list-style-type: none"> <li>1. Conduct an audit on all reservoirs to determine whether all have inlet and outlet bulk meters.</li> <li>2. Install bulk meters for both inlet and outlets in all reservoirs with identification numbers.</li> <li>3. Formalise all households that connected illegally to the system.</li> <li>4. Develop Water Services Bylaws for the District Municipality for approval by Council and gazette then after.</li> <li>5. Monitor and compute water losses both in kiloliters and rand values with traceable workings</li> </ol>	<p>GM: Technical Services / Acting GM: Technical Services</p> <p>GM: Technical Services / Acting GM: Technical Services</p> <p>GM: Technical Services / Acting GM: Technical Services.</p>	<p>31 January 2015</p> <p>28 February 2015</p> <p>28 February 2015</p> <p>31 March 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>

		<p>in all areas and follow them up accordingly.</p> <p>6. Reconcile units of electricity purchased and units of electricity sold to determine losses both in Rands and Kilowatts and follow them up accordingly.</p>	<p>GM: Technical Services / Acting GM: Technical Services.</p> <p>GM: Technical Services / Acting GM: Technical Services.</p> <p>GM: Technical Services / Acting GM: Technical Services</p>	<p>Monthly</p> <p>Monthly</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
--	--	--	---	-------------------------------	--



		<p>implemented or to be implemented by the District. Such programme must be under implemented with effect from 01 February 2015 going forward.</p>	<p>GM: Technical Services / Acting GM: Technical Services</p>	<p>Ongoing</p>	<p>Progress to be presented on a regular interval.</p>
			<p>GM: Technical Services / Acting GM: Technical Services</p>	<p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p>



		<p>48 leave days to take their vacation leave.</p> <p>6. Consider the centralization (if necessary) of the leave application forms and management to Human Resources Unit only.</p>	<p>GM: Corporate Services / Acting GM: Corporate Services.</p> <p>GM: Corporate Services / Acting GM: Corporate Services.</p> <p>GM: Corporate Services / Acting GM: Corporate Services</p> <p>GM: Corporate Services / Acting GM: Corporate Services.</p>	<p>Monthly</p> <p>Daily</p> <p>Monthly</p> <p>Ongoing</p>	<p>Progress to be made on a regular interval</p> <p>Progress to be made on a regular interval.</p> <p>Progress to be made on a regular interval.</p>
--	--	---	---	--	--

					Progress (if necessary) to be made on a regular interval.
6.	<p><b>Payables from exchange transactions</b></p> <p>6. I was unable to obtain sufficient appropriate audit evidence that management had fully accounted for all payables from exchange transactions due to the lack of supporting documentation for the prior years' payables, as a result of a fire, which destroyed these records, stated at R5, 21 million (2013: R16, 98 million) as disclosed in note 39 to the financial statements. I was unable to confirm the payables by alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions stated at</p>	<p>1. Recover 100% invoice documents destroyed by fire on 29 February 2012 for amount currently outstanding of R5,21 million.</p>	Chief Financial Officer (CFO) / Acting CFO	30 June 2015	Progress to be presented on a regular interval.

	R86, 09 million (2013: R29, 09 million.) disclosed in note 10 to the financial statements was necessary.				
--	--	--	--	--	--



#### 4.2. EMPHASIS OF MATTER ITEMS

NO	DESCRIPTION OF THE AUDIT FINDING	CORRECTIVE MEASURE	RESPONSIBLE OFFICIAL	TIMEFRAME	PROGRESS STATUS TO DATE
1	<p><b>Going concern</b></p> <p>7. As disclosed in note 48 to the financial statements the municipality has unspent conditional grants of R21, 85 million during the year ended 30 June 2014, which are not adequately cashed back, and as of that date, the municipality's current liabilities exceeded its total assets by R15, 11 million. These conditions, along with other matters as disclosed in note 48, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.</p>	<ol style="list-style-type: none"> <li>1. Maintenance the current ratio of not less than 1:1.</li> <li>2. Maintenance the Cash Equivalent Ratio of at least 3 months.</li> <li>3. Source external funding for Lake Tete, Mkhombe Tours, KwaDapha etc to revive them.</li> <li>4. Revive the Forensic Investigation Report for presentation to Council on investigation of the above PED Projects.</li> <li>5. Develop and enforce the implementation of Costs Cutting Measures to eliminate</li> </ol>	<p>Chief Financial Officer (CFO) / Acting CFO</p> <p>Chief Financial Officer (CFO) / Acting CFO</p> <p>GM: PED / Acting GM: PED</p> <p>Municipal Manager / Acting Municipal Manager</p>	<p>Monthly</p> <p>Monthly</p> <p>31 January 2015</p> <p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>

		non-priority spending items.	Chief Financial Officer (CFO) / Acting CFO	31 January 2015	Progress to be presented on a regular interval.  The Costs Cutting Measures have been developed and approved by Council. Progress to be presented on a regular interval.
2.	<p><b>Restatement of corresponding figures</b></p> <p>8. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of an error discovered during 30 June 2014 in the financial statements of the uMkhanyakude District Municipality at, and for the year ended, 30 June 2013.</p>	<ol style="list-style-type: none"> <li>1. Develop a detailed AFS Preparation Plan for 2014/2015 financial year.</li> <li>2. Review the implementation of the 2014/15 AFS Preparation Plan.</li> </ol>	Chief Financial Officer (CFO) / Acting CFO.	30 June 2015	Progress to be presented on a regular interval.

		<p>3. Perform an audit review of the 2014/2015 AFS and Annual Performance Report before submission to Auditor-General for presentation to the Audit Committee</p> <p>4. Provide an independent assurance on 2014/2015 AFS before submission to Auditor-General.</p>	<p>Chief Financial Officer (CFO) / Acting CFO</p> <p>Internal Audit</p> <p>Audit Committee</p>	<p>With effect from 01 July 2015 until 31 August 2015</p> <p>15 August 2015</p> <p>20 August 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
3.	<p><b>Unauthorised expenditure</b></p> <p>9. As disclosed in note 34 to the financial statements, the municipality incurred unauthorised expenditure of R51, 34 million in the 2013/2014 financial year as a result</p>	<p>1. Enforce the implementation of Prevention of</p>	<p>Chief Financial Officer (CFO) / Acting CFO</p>	<p>Ongoing</p>	<p>The checklist is in place already and the progress on its implementation to be</p>

	of overspending of the approved budget.	<p>Unauthorised Expenditure Checklist;</p> <p>2. Stopping the processing of transaction without a budget allocation or that will exceed the budget allocation up until the Council has approved otherwise..</p>	Chief Financial Officer (CFO) / Acting CFO	Ongoing	<p>presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
4.	<p><b>Irregular expenditure</b></p> <p>10. As disclosed in note 36 to the financial statements, the municipality incurred irregular expenditure of R556, 24 million in the 2013/2014 financial year as a result of proper supply chain management processes not being followed.</p>	<p>1. Enforce the implementation of Prevention of Irregular Expenditure Checklist.</p> <p>2. Stopping and disapprove all transactions that did not follow SCM Processes within the municipality unless the Council decided otherwise.</p> <p>3. Develop SCM Compliance Checklist to be used for Evaluation and</p>	<p>Chief Financial Officer (CFO) / Acting CFO</p> <p>Chief Financial Officer (CFO) / Acting CFO</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>The checklist is in place already and progress on implementation to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>



### 5.3. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### 4.3.1. PREDETERMINED OBJECTIVES (i.e. PERFORMANCE INFORMATION)

NO	DESCRIPTION OF THE AUDIT FINDING	CORRECTIVE MEASURE	RESPONSIBLE OFFICIAL	TIMEFRAME	PROGRESS STATUS TO DATE
1.	<p><b>To improve access to quality, affordable and reliable municipal services, To provide free basic service, and Regular investment in infrastructure in order to improve on operations and maintenance.</b></p> <p><b>Usefulness of reported performance information</b></p> <p><b>Measurability of indicators and targets</b></p> <p><b>Performance indicators not well defined</b></p> <p>11. The FMPPPI requires that performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. All of the indicators were not well defined. This was because management was not aware of and therefore did not adhere to the requirements of the</p>				

	<p>FMPPI due to a lack of proper systems and processes.</p>	<ol style="list-style-type: none"> <li>1. Develop a detailed, clear and implementable PMS for the District in compliance with National Treasury's Framework for Managing Programme Performance Information (MPPI).</li> <li>2. Review all targets and indicators to be in line with FMPPI issued by National Treasury</li> </ol>	<p>GM: PED / Acting GM: PED</p>	<p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p>
--	---	--	-------------------------------------	------------------------	--

		<p>following the SMART principle.</p> <p>3. Coordinate the implementation of Back to Basics Programme across the District with regards to PMS as directed by National COGTA.</p> <p>4. Request the KZN COGTA under PMS Unit for the support on reviewal of current pre-determined objectives during the Mid-Term-Review process.</p> <p>5. Coordinate the Monitoring and Evaluation of PMS in the form of appropriate and sufficient evidence supporting the reported performance as part of section 52(d) of the MFMA.</p>	<p>Municipal Manager / Acting Municipal Manager</p> <p>Municipal Manager / Acting Municipal Manager</p> <p>GM: PED / Acting GM: PED</p>	<p>28 February 2015</p> <p>Ongoing</p> <p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
--	--	---	---	---	--



			GM: PED / Acting GM: PED	Within 30 days after the end of each quarter.	Progress to be presented on a regular interval.
2.	<p><b>Reliability of reported performance information</b></p> <p><b>Validity, accuracy and completeness</b></p> <p>The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of frequent review of the validity of reported achievements against source documentation. There were also a lack communication and</p>	<p>1. Coordinate the compilation of valid, accurate and complete Portfolio of Evidence (POEs) for all quarterly reported</p>	GM: PED / Acting GM: PED	Within 30 days after the end of each quarter.	Progress to be presented on a regular interval.

	<p>coordination between the different departments within the municipality to ensure accurate information is reported for the performance targets.</p>	<p>performance across the District.</p> <p>2. Coordinate the PMS Quarterly Reviews for all Departments including the Office of the Municipal Manager by EXCO before being presented to Council as part of section 52(d) of the MFMA with appropriate and sufficient Portfolio of Evidence (POEs).</p>	<p>GM: PED / Acting GM: PED</p>	<p>Within 30 days after the end of each quarter.</p>	<p>Progress to be made on a regular interval.</p>
--	---	---	-------------------------------------	--	---

**4.3.2. COMPLIANCE WITH LEGISLATION**

NO	DESCRIPTION OF THE AUDIT FINDING	CORRECTIVE MEASURE	RESPONSIBLE OFFICIAL	TIMEFRAME	PROGRESS STATUS TO DATE
1.	<p><b>Strategic planning and performance management</b></p> <p>12. The performance of Umhlosinga Development Agency against the agreed performance objectives and indicators was not monitored and annually reviewed, as part of the annual budget process, as required by section 93B(b) of the Municipal System Act of South Africa, 2000 , (Act No. 32 of 2000) (MSA).</p> <p>13. The annual performance report for the year under review did not include</p>	<ol style="list-style-type: none"> <li>1. Coordinate the Quarterly Monitoring and Evaluation of the Performance of uMhlosinga Development Agency (UMDA) for presentation before Council.</li> <li>2. Coordinate the deliberation of the Annual Budget during the Mid-Term-Review and Adjustment Budget process of UMDA by Full Council and ensure the recommendations of the Council are addressed by Board of UMDA.</li> </ol>	<p>GM: PED / Acting GM: PED</p> <p>Municipal Manager / Acting Municipal Manager</p>	<p>Within 30 days after the end of each quarter.</p> <p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>

	<p>a comparison of the performance with set targets and a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1) (b) and (c) of the MSA.</p>	<p>1. Compile the detailed Corrective Measures for all targets not met in the 2013/2014 Annual Report to form part of the programme of action in 2014/2015 financial year.</p>	<p>Municipal Manager / Acting Municipal Manager</p>	<p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p>
2.	<p><b>Budget</b></p> <p>14. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved</p>	<p>1. Enforce the implementation of the</p>		<p>Ongoing</p>	<p>The checklist is in place already which is under</p>

	budget, in contravention of section 15 of the MFMA.	<p>Checklist for the Prevention of Unauthorised Expenditure.</p> <p>2. Disapprove the processing of expenditure transaction without budget allocation or that is likely to cause the budget to be exceeded unless the Council decide otherwise.</p>	<p>Chief Financial Officer (CFO) / Acting CFO.</p> <p>Chief Financial Officer (CFO) / Acting CFO.</p>	Ongoing	<p>implementation. Progress to be reported on a regular interval.</p> <p>The Virement Policy is in place already which spell out the process to be followed in the event of unavailability of the budget or likelihood to exceed the budget allocation. Progress to be presented on a regular interval.</p>
3.	<p><b>Annual financial statements</b></p> <p>15. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which</p>	<p>1. Compile for presentation to Council and implement a detailed Compliance with Laws and Regulations Checklist.</p>	<p>Chief Financial Officer (CFO) / Acting CFO.</p>	31 January 2015	<p>The Comprehensive Checklist has been compiled. The enforcement of the implementation to be strengthened. Progress to be presented on a regular interval.</p>





	<p>the quarterly internal audit reports on performance measurement, as required by Municipal planning and performance management regulation 14(4)(a)(i).</p> <p>21. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal planning and performance management regulation 14(4)(a)(iii).</p> <p>22. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.</p>				Progress to be presented on a regular interval.
5.	<p><b>Internal audit</b></p> <p>23. The internal audit unit did not function as required by section 165 (2) of the MFMA, in that, it did not report to the audit committee on the implementation of the internal plan and it did not report to the audit committee on matters relating to internal audit and internal controls accounting procedures and practices.</p>	<p>1. Coordinate the establishment of the effective Internal Audit Unit that work in accordance with Internal Audit Charter by appointing Manager: Internal Audit to manage the functioning of internal audit within the municipality.</p>	<p>Municipal Manager / Acting Municipal Manager</p>	<p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p>









			<p>Chief Financial Officer (CFO) / Acting CFO</p> <p>Chief Financial Officer (CFO) / Acting CFO</p>	<p>Ongoing</p>	<p>The BAC is composed of only Heads of Departments (HODs). Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
--	--	--	---	----------------	--

				28 February 2015	
			Chief Financial Officer (CFO) / Acting CFO	28 February 2015	Progress to be presented on a regular interval.
			Municipal Manager / Acting Municipal Manager		

					<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
--	--	--	--	--	---

7.	<p><b>Human resource management</b></p> <p>33. Job descriptions were not established for all posts in which appointments were made in the current year, in contravention of section 66(1) (b) of MSA.</p>	<ol style="list-style-type: none"> <li>1. Coordinate the development of relevant Job Descriptions for all employees within the District Municipality.</li> <li>2. Review HR Policies to comply in all material respect with section 66 to 71 of the Municipal Systems Act (MSA).</li> <li>3. Coordinate the compliance of all Appointments in all material respect with an approved and applicable HR Policies.</li> <li>4. Perform the Job Evaluation of all posts whether vacant or filled in the municipality to ensure</li> </ol>	<p>GM: Corporate Services / Acting GM: Corporate Services</p> <p>GM: Corporate Services / Acting GM: Corporate Services</p> <p>GM: Corporate Services / Acting</p>	<p>31 January 2015</p> <p>31 January 2015</p> <p>Ongoing</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>

		<p>that all staff members are remunerated in the correct levels.</p> <p>5. Coordinate the performance of Competency Assessment for all employees in all levels within the municipality by Independent Assessor.</p> <p>6. Perform verification of authenticity of Qualifications by an Independent person of all employees within the municipality in all levels.</p> <p>7. Perform the Skills Audit, Physical Verification and necessity of all employees within the municipality in all levels by an Independent person.</p> <p>8. Coordinate the review of the Organogram of the municipality to</p>	<p>GM: Corporate Services</p> <p>GM: Corporate Services / Acting GM: Corporate Services</p> <p>GM: Corporate Services / Acting GM: Corporate Services</p>	<p>28 February 2015</p> <p>28 February 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>
--	--	---	---	---	--



		determine the necessity of all posts in the organogram whether filled or not filled.	GM: Corporate Services / Acting GM: Corporate Services	31 March 2015	
				31 March 2015	Progress to be presented on a regular interval.
			GM: Corporate Services / Acting GM: Corporate Services	31 March 2015	Progress to be presented on a regular interval.

			GM: Corporate Services / Acting GM: Corporate Services		Progress to be presented on a regular interval.
8.	<p><b>Revenue management</b></p> <p>34. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2) (f) of the MFMA.</p>	<p>1. Develop and Implement system of internal control for debtors and revenue management within the municipality.</p>	Chief Financial Officer (CFO) / Acting CFO	31 March 2015	Progress to be presented on a regular interval.
9.	<p><b>Internal control</b></p> <p>35. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion the findings on the annual performance report and the findings on</p>	<p>1. Develop and oversee the implementation of overall internal control framework, policies and procedures to ensure fair presentation of AFS, Annual Performance Report</p>	Municipal Manager / Acting Municipal Manager	28 February 2015	Progress to be presented on a regular interval.

	compliance with laws and regulations included in this report.	and Compliance with all relevant Laws and Regulations within the Municipality.			
10.	<p><b>Leadership</b></p> <p>36. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations.</p>	<p>1. Develop and Implement an Oversight Framework to ensure oversight responsibility regarding financial, performance reporting and compliance with laws and regulations to implement Back to Basics Programme.</p>	Municipal Manager / Acting Municipal Manager	31 January 2015	Progress to be presented on a regular interval.
11.	<p><b>Financial and performance management</b></p> <p>37. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial; performance and compliance reporting. In this regard, the management did not ensure that regular, accurate and complete financial and performance reports were prepared, which were supported and evidenced by reliable information.</p>	<p>1. Coordinate the development and implementation of Systems and Controls of Financial and Performance Management</p>	Municipal Manager / Acting Municipal Manager	31 January 2015	Progress to be presented on a regular interval.

12	<p><b>Governance</b></p> <p>38. The internal audit and audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.</p>	<p>1. Coordinate the establishment of effective Audit Committee, Internal Audit and Oversight Council Structures to promote accountability and service delivery.</p>	<p>Municipal Manager / Acting Municipal Manager</p>	<p>31 January 2015</p>	<p>Progress to be presented on a regular interval.</p>

#### 4.4. OTHER REPORTS

##### 4.4.1. INVESTIGATIONS

NO	DESCRIPTION OF THE AUDIT FINDING	CORRECTIVE MEASURE	RESPONSIBLE OFFICIAL	TIMEFRAME	PROGRESS STATUS TO DATE
1.	<p><b>Investigations</b></p> <p>39. A total of six investigations have been completed during the year in respect of procurement fraud, SCM irregularities identified and cash stolen in the bank. Disciplinary hearings have been initiated against employees. These investigations have been reported to the South African Police Service.</p> <p>40. Two investigations are in progress in respect of procurement and SCM compliance, financial misconduct, the documents burnt in the fire and in respect of irregular recruitment processes.</p>	<ol style="list-style-type: none"> <li>1. Coordinate the finalization of all Investigations conducted in the municipality for presentation before Council.</li> <li>2. Coordinate in consultation with the Council the Implementation of the recommendations of all Completed Investigations within the municipality.</li> <li>3. Coordinate the presentation to Council all Investigations that have been conducted by the municipality since its inception and all recommendations</li> </ol>	<p>Municipal Manager / Acting Municipal Manager</p> <p>Municipal Manager / Acting Municipal Manager</p>	<p>31 March 2015</p> <p>31 March 2015</p>	<p>Progress to be presented on a regular interval.</p> <p>Progress to be presented on a regular interval.</p>

		and implementation thereof.	Municipal Manager / Acting Municipal Manager	31 March 2015	
		4. Develop Forensic Investigation Policy for the municipality to guide Forensic Investigations within the municipality.			Progress to be presented on a regular interval.
		5. Consider the establishment of Internal Forensic Investigation Unit within the municipality in consultation with the Council to fast track any Forensic Investigations conducted within the municipality.	Chief Financial Officer (CFO) / Acting CFO	31 March 2015	Progress to be presented on a regular interval.
			Municipal Manager / Acting Municipal Manager	31 March 2015	

					Progress to be presented on a regular interval.
--	--	--	--	--	---

**5.MONITORING AND EVALUATION**

In order to improve the audit outcome of the municipality in 2014/2015, the implementation of these corrective measures must be monitored and evaluated on a monthly basis with effect from their **APPROVAL** by Council.

The monthly monitoring and evaluation of this Action Plan / Corrective Measures must also include monitoring and evaluation of the implementation of adopted “ **2014/2015 Financial Management Strategy or Operation Clean Audit Strategy**”.

The following oversight bodies must perform monitoring and evaluation of this Action Plan / Corrective Measures in conjunction with implementation plan of 2014/2015 Financial Management Strategy or Operation Clean Audit Strategy as their standing agenda item:

1. Management Committee (MANCO);
2. All Portfolio Committees;
3. Executive Committee (EXCO);
4. Municipal Public Accounts Committee (MPAC);

5. Audit Committee; and
6. Full Council

The Internal Audit unit must provide an independent verification and review by monitoring and evaluating an adequacy of implementation of this Audit Action Plan / Corrective measures.

#### **7. RECOMMENDATION**

The Council approves Audit Action Plan / Corrective Measures to address issues raised by Auditor-General in his 2013/2014 audit.

#### **8. COMPILED BY**

---

**MR. M.S. DLAMINI**

**CHIEF FINANCIAL OFFICER**

**DATE: 07 DECEMBER 2014**